TIFFANY & CO
Form 4
November 26, 2014

FORM 4

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

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
BERGER GROSS VICTORIA

(Last) (First) (Middle)

TIFFANY & CO., 727 FIFTH AVENUE

(Street)

NEW YORK, NY 10022

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
TIFFANY & CO [TIF]

3. Date of Earliest Transaction (Month/Day/Year)
11/25/2014

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
SENIOR VICE PRESIDENT

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock $.01 Par	11/25/2014		M		5,500	A	$ 43.37	41,568	D	
Common Stock $.01 Par	11/25/2014		S		5,500	D	$ 110	36,068	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount Underlying Securitie (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amour or Numbe of Shares
Non-Qualified Stock Option (Right to Buy)	$ 43.37	11/25/2014		M			5,500	(1)	01/20/2020	Common Stock	5,50

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
BERGER GROSS VICTORIA TIFFANY & CO. 727 FIFTH AVENUE NEW YORK, NY 10022			SENIOR VICE PRESIDENT	

Signatures

/s/ John C. Duffy, Attorney-in-Fact	11/26/2014
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Options granted pursuant to the Tiffany & Co. 2005 Employee Incentive Plan, which complies with Rule 16b-3, on January 20, 2010. The option vested in four equal annual installments on January 20, 2011, 2012, 2013 and 2014.

(2) Total grant 22,000 shares. 5,500 shares previously exercised.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. pt; FONT-FAMILY: Times New Roman">On January 31, 2007, we completed our newest addition to our rental apartment properties in St. Charles' Fairway Village, the Sheffield Greens Apartments. The 252-unit apartment project consists of nine, 3-story buildings and offers 1 and 2 bedroom units ranging in size from 800 to 1,400 square feet. Leasing efforts continue to be successful, with 78% of the total complex leased as of March 31, 2007.
On April 28, 2006, the Company acquired two apartment properties, Milford Station I LLC and Milford Station II LLC, in Baltimore, Maryland containing a combined total of 250 units for approximately $14,300,000. All of the

acquired properties are operated as market rate properties.

Three months ended

For the three months ended March 31, 2007, rental property revenues increased $1,358,000 or 18% to $8,905,000 compared to $7,547,000 for the three months ended March 31, 2006. The increase in rental revenues was primarily the result of additional revenues for Sheffield Greens Apartments, Milford Station I and Milford Station II which accounted for approximately $1,048,000 of the difference. The increase was also attributable to an overall 6% increase in rents between periods. These rental revenue increases were offset in part by an increase in our vacancy rate in the US, primarily resulting from the supply of new units to the area upon completion of the Sheffield Greens Apartments. Once the new units are absorbed, we believe occupancy at competing locations will return.

Rental property operating expenses increased $1,086,000 or 31% for the first quarter of 2007 to $4,625,000 compared to $3,539,000 for the first quarter of 2006. The overall increase in rental property operating expenses was primarily the result of additional expenses for Sheffield Greens Apartments, Milford Station I and Milford Station II, which accounted for approximately $639,000 of the difference. The remainder of the increase resulted from overall inflationary adjustments as well as specific increases in office and maintenance salaries, grounds and maintenance, rehabilitation and concessions awarded to residents.

Community Development - U.S. Operations:

Land sales revenue in any one period is affected by the mix of lot sizes and, to a greater extent, the mix between residential and commercial sales. In March 2004, the Company executed an agreement with Lennar Corporation to sell 1,950 residential lots (1,359 single family lots and 591 town home lots) in Fairway Village in St. Charles, Maryland. The agreement requires the homebuilder to provide $20,000,000 in letters of credit to secure the purchase of the lots and purchase 200 residential lots per year, provided that they are developed and available for delivery as defined by the development agreement. Based on 200 lot sales per year, it is estimated that lot settlements will take place through 2015. Sales are closed on a lot by lot basis at the time when the builder purchases the lot. The ultimate selling price per lot sold to Lennar may exceed the amount recognized at closing since the final lot price is equal to 30% of the base price of the home sold on the lot. Additional revenue exceeding the established take down price per lot will be recognized upon Lennar's settlement with the respective homebuyers. Residential lots can vary in size and location resulting in pricing differences. Gross margins of residential lots are fairly consistent within any given village in St. Charles. Commercial land is typically sold by contract that allows for a study period and delayed settlement until the purchaser obtains the necessary permits for development. The sales prices and gross margins for commercial parcels vary significantly depending on the location, size, extent of development and ultimate use. Commercial land sales are generally cyclical.

Community development land sales revenue decreased $189,000 or 5% for the three months ended March 31, 2007 to $3,755,000 as compared to $3,944,000 for the three months ended March 31, 2006. The overall decrease was primarily the result of a decrease in the number of lots sold during the first quarter 2007 offset in part by an increase in the amount of commercial sales for the period as compared to the first quarter 2006. Further discussion of the components of this variance is as follows:

Residential Land Sales

For the three months ended March 31, 2007, we recognized $613,000 related to the delivery of 7 townhome lots to Lennar as compared to $2,551,000 related to 20 single family lots delivered in the first quarter of 2006. For the townhome lots delivered in 2007, we recognized as revenue the initial $85,000 per townhome lot plus water and sewer fees, road fees and other off-site fees. For the three months ended March 31, 2006, we delivered 20 single family lots to Lennar at an initial selling price of $125,000 per lot plus water and sewer fees, road fees and other off-site fees. As of March 31, 2007, 1,636 lots remained under contract to Lennar of which 157 single family lots and 46 townhome lots were developed and ready for delivery.

During the first quarter of 2007 and 2006, we also recognized $314,000 and $593,000, respectively, of additional revenue for lots that were previously sold to Lennar. This additional revenue is based on the final settlement price of the homes as provided by our agreement with Lennar.

Commercial Land Sales
For the three months ended March 31, 2007, we sold 5.78 commercial acres in St. Charles for $2,536,000 as compared to 2.65 acres for $593,000 for the three months ended March 31, 2006. As of March 31, 2007, our commercial sales backlog contained 12.45 acres under contract for a total of $2,721,000.

St. Charles Active Adult Community, LLC - Land Joint Venture
In September 2004, the Company entered into a joint venture agreement with Lennar Corporation for the development of a 352-unit, active adult community located in St. Charles, Maryland. The Company manages the project's development for a market rate fee pursuant to a management agreement. In September 2004, the Company transferred land to the joint venture in exchange for a 50% ownership interest and $4,277,000 in cash. The Company's investment in the joint venture was recorded at 50% of the historical cost basis of the land with the other 50% recorded within our deferred charges and other assets. The proceeds received are reflected as deferred revenue. The deferred revenue and related deferred costs will be recognized into income as the joint venture sells lots to Lennar. In March 2005, the joint venture closed a non-recourse development loan which was amended in June 2006. Per the amended terms of the loan, both the Company and Lennar provided development completion guarantees.
In the first quarter of 2007, the joint venture delivered 14 lots to Lennar as compared to no lot deliveries for the first quarter 2006. Accordingly, for the three Months ended March 31, 2007, the Company recognized $292,000 in deferred revenue, off-site fees and management fees and $93,000 of deferred costs.

Gross Margin on Land Sales
The gross margin on land sales for the first quarter 2007 was 22% as compared to 44% for the first quarter of 2006. Gross margins differ from period to period depending on the mix of land sold. In the first quarter 2007 our commercial acres represented the majority of our land sales and these parcels had lower margins than our residential land sales. The gross margins on our residential land sales for the U.S. have remained relatively stable.

Customer Dependence
Residential land sales to Lennar within our U.S. segment were $1,219,000 for the three months ended March 31, 2007 which represents 10% of the U.S. segment's revenue and 6% of our total year-to-date consolidated revenue. No customers accounted for more than 10% of our consolidated revenue for the three months ended March 31, 2007. Loss of all or a substantial portion of our land sales, as well as the joint venture's land sales, to Lennar would have a significant adverse effect on our financial results until such lost sales could be replaced.

Management and Other Fees - U.S. Operations:
We earn monthly management fees from all of the apartment properties that we own, as well as our management of apartment properties owned by third parties and affiliates of J. Michael Wilson. Effective February 28, 2007, the Company’s management agreement with G.L. Limited Partnership was terminated upon the sale of the apartment property to a third party. Effective April 30, 2006, the Company’s management agreement with Chastleton Associates LP was also terminated upon the sale of the apartment property to a third party. These properties were previously owned by an affiliate. Management fees generated by each of these properties accounted for less than 1% of the Company’s total revenue.
We receive an additional fee from the properties that we manage for their use of the property management computer system that we purchased at the end of 2001 and a fee for vehicles purchased by the Company for use on behalf of the properties. The cost of the computer system and vehicles are reflected within depreciation expense.

The Company manages the project development of the joint venture with Lennar for a market rate fee pursuant to a management agreement. These fees are based on the cost of the project and a prorated share is earned when each lot is sold.
Management fees for the first quarter of 2007 decreased $31,000 to $110,000 as compared to $141,000 for the first quarter 2006. These amounts only include the fees earned from the non-controlled properties; the fees earned from the controlled properties are eliminated in consolidation.

General, Administrative, Selling and Marketing Expense - U.S. Operations:
The costs associated with the oversight of our U.S. operations, accounting, human resources, office management and technology, as well as corporate and other executive office costs are included in this section. ARMC employs the centralized office management approach for its property management services for our properties located in St. Charles, Maryland, our properties located in the Baltimore, Maryland area and the property in Virginia and, to a lesser extent, the other properties that we manage. Our unconsolidated and managed-only apartment properties reimburse ARMC for certain costs incurred at the central office that are attributable to the operations of those properties. In accordance with EITF Topic 01-14, "*Income Statement Characterization of Reimbursements Received for Out of Pocket Expenses Incurred*," the cost and reimbursement of these costs are not included in general and administrative expenses, but rather they are reflected as separate line items on the consolidated income statement.

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General, administrative, selling and marketing costs incurred within our U.S. operations increased $65,000 to $1,747,000 for the three months ended March 31, 2007, compared to $1,682,000 for the same period of 2006. The 4% increase is primarily attributable to offsetting variances. We experienced increases in our consulting fees related to services provided for our FIN 48 implementation during the first quarter of 2007, as well as other increases in salaries and benefits. These increases were offset in party by decreases in the expense associated with our outstanding share incentive rights as a result of the fluctuation in share price for the respective periods. In addition we experienced a decrease in audit and accounting expenses as a result of the non-recurring work required in the first quarter of 2006 related to the closing agreement reached with the IRS.

Depreciation Expense - U.S. Operations:
Depreciation expense increased $195,000 to $1,271,000 for the first three months of 2007 compared to $1,076,000 for the same period in 2006. The increase in depreciation is primarily the result of depreciation related to the acquisitions of Milford Station I and Milford Station II. In addition, as a result of the recent refinancings of several properties, the Company has made significant investments in capital improvements at these properties.

Interest Income - U.S. Operations:
Interest income increased $272,000 to $297,000 for the three months ended March 31, 2007, as compared to $25,000 for the three months ended March 31, 2006. The increase was primarily attributable to interest income accrued on the undistributed bond proceeds held in escrow by Charles County. The Company reached a written agreement with the County regarding interest earned on amounts held in escrow by the County, but not yet drawn by the Company, whereby the Company is now able to accrue income on the related receivables.

Interest Expense - U.S. Operations:
The Company considers interest expense on all U.S. debt available for capitalization to the extent of average qualifying assets for the period. Interest specific to the construction of qualifying assets, represented primarily by our recourse debt, is first considered for capitalization. To the extent qualifying assets exceed debt specifically identified a weighted average rate including all other debt of the U.S. segment is applied. Any excess interest is reflected as interest expense. For 2007 and 2006, the excess interest primarily relates to the interest incurred on the non-recourse debt from our investment properties as well as certain corporate recourse debt.
Interest expense increased $1,133,000 for the first three months of 2007 to $3,066,000, as compared to $1,933,000 for the same period of 2006. The increase was primarily attributable to interest expense incurred at new properties, including Sheffield Greens Apartments, Milford Station I and Milford Station II. In addition, the refinancing of several apartment mortgages during the fourth quarter of 2006 and early first quarter 2007 increased interest expense at Fox Chase Apartments, LLC, New Forest Apartments, LLC, Coachman's Apartments LLC and Village Lake Apartments, LLC. Additionally, interest expense increased as a result of our implementation of FIN 48 for the first quarter 2007 and the presentation of accrued interest on uncertain tax positions as interest expense. Increases in interest expense were offset by the decrease related to the re-payment of certain recourse debt obligations during the first quarter 2007.
For the three months ended March 31, 2007, $311,000 of interest cost was capitalized. During the same period in 2006, $377,000 of interest cost was capitalized.

Provision for Income Taxes - U.S. Operations:
The effective tax rates for the three months ended March 31, 2007, and March 31, 2006, were 13% and 42%, respectively. The statutory rate is 40%. The effective tax rate for 2007 differs from the statutory rate due to a relatively small net loss for the first quarter of 2007, the related benefit for which, was partially offset by accrued penalties on uncertain tax positions as part of the implementation of FIN 48.

Results of Operations - Puerto Rico Operations:

For the three months ended March 31, 2007, our Puerto Rico segment generated $2,100,000 of operating income compared to $2,078,000 of operating income generated by the segment for the same period in 2006. Additional information and analysis of the Puerto Rico operations can be found below.

Rental Property Revenues and Operating Expenses - Puerto Rico Operations:
Our rental property revenues and expenses are generated primarily from the 12 multifamily apartment properties located in the San Juan metropolitan area. In addition, the Company operates a commercial rental property in the community of Parque Escorial, known as Escorial Building One (“EBO”), in which it holds a 100% ownership interest. EBO is a three-story building with approximately 56,000 square feet of offices space for lease. The Company moved the Puerto Rico Corporate Office to the new facilities in the third quarter of 2005, and leases approximately 20% of the building.
Rental property revenues increased $261,000 to $5,505,000 for the three months ended March 31, 2007 compared to $5,244,000 for the same period of 2006. The increase for the first quarter of 2007 as compared to the first quarter 2006 was the result of overall rent increases for our HUD subsidized multifamily apartment properties of 3% and an increase of 2% for our commercial property, EBO.

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Rental operating expenses increased $82,000 to $2,731,000 for the three months ended March 31, 2007 compared to $2,649,000 for the same period of 2006. The increase for the first quarter of 2007 was related to an overall inflationary increase of 3%. In addition, we experienced above inflationary increases in utilities and repairs.

Community Development - Puerto Rico Operations:
Total land sales revenue in any one period is affected by commercial sales which are cyclical in nature and usually have a noticeable positive impact on our earnings in the period in which settlement is made.
There was no community development land sales during the three months ended March 31, 2007 and 2006. There were no sales contracts in backlog at March 31, 2007.

Homebuilding - Puerto Rico Operations:
The Company organizes corporations as needed to operate each individual homebuilding project. In April 2004, the Company commenced the construction of a 160-unit mid-rise condominium complex known as Torres del Escorial ("Torres"). The condominium units were offered to buyers in the market in January 2005 and delivery of the units commenced in the fourth quarter of 2005. The condominium units are sold individually from an onsite sales office to pre-qualified homebuyers.
Homebuilding revenues decreased $937,000 for the three month period ended March 31, 2007, as compared to the three month period ended March 31, 2006. The decrease in revenues was primarily driven by a decrease in the number of units sold during the respective period. Within the Torres project, the Company closed 12 units for the first quarter 2007 and 16 units for the first quarter 2006. The average selling price per unit was similar, approximately $257,000 and $ 252,000 per unit respectively, generating aggregate revenues of $3,088,000 and $4,025,000, respectively. The gross margin for the three months ended March 31, 2007, and 2006 were 26% and 25%, respectively. The slight increase in the gross profit margin is attributable to an increase in the sales revenue for the remaining project as a result of increased selling prices of the units the third and fourth buildings.
As of March 31, 2007, only 38 units within the Torres project remain available for sale, of which we have received contracts for 8 of these units at an average selling price of $269,000 per unit. Each sales contract is backed by a $6,000 deposit. For the three months ended March 31, 2007, the Company's sales activity resulted in the execution of 8 contracts and the loss of 3 contracts that were cancelled. For the same period in 2006, the Company had 23 new contracts and 11 canceled contracts. The Puerto Rico real estate market has slowed substantially since the second quarter of 2006. The reduction of new contracts and the reduced pace of sales has impacted the Company somewhat, but not to the same extent as the overall Puerto Rico market decline. The Company continues to believe that the remaining 38 units in Torres will sell during the year 2007 and that its current pricing remains competitive.

General, Administrative, Selling and Marketing Expenses - Puerto Rico Operations:
The costs associated with the oversight of our operations, accounting, human resources, office management and technology are included within this section. The apartment properties reimburse IGP for certain costs incurred at IGP's office that are attributable to the operations of those properties. In accordance with EITF 01-14 the costs and reimbursement of these costs are not included within this section but rather, they are reflected as separate line items on the consolidated income statement. Due to the fact that our corporate office is in our office building, Escorial Office Building One, rent expense and parking expenses are eliminated in consolidation.
General, administrative, selling and marketing expenses decreased 5% or $34,000 to $716,000 during the three months ended March 31, 2007, as compared to $750,000 for the same period of 2006. The decrease is primarily attributable to a reduction in the outstanding share incentive rights expense recorded as a result of a reduction in our share price that we experienced during the first three months of 2007, as well as decreases in legal expenses, car expenses, dues and subscriptions, and other miscellaneous expenses. These decreases were offset in part by increases in selling and marketing expenses incurred in the Torres project, as well as increases in audit and tax consulting, outside personnel services, postage, telephone, and other general and administrative expenses.

Interest Income - Puerto Rico Operations:
Interest income for the three months ended March 31, 2007 increased $170,000 to $215,000 as compared to $45,000 for the same period of 2006. The increase is primarily attributable to the recognition of interest income on the El Monte note receivable. The note originated as part of the sale of the complex in December 2004, at which point the Company determined that the cost recovery method of accounting was appropriate for gain recognition. Accordingly, the interest income on this note was also deferred until the interest payment was received, which occurred in January 2007.

Equity in Earnings from Unconsolidated Entities - Puerto Rico Operations:
We account for our limited partner investment in the commercial rental property owned by ELI and El Monte under the equity method of accounting. The earnings from our investment in commercial rental property are reflected within this section. The recognition of earnings depends on our investment basis in the property, and where the partnership is in the earnings stream.
Equity in earnings from unconsolidated entities increased $1,503,000 to $1,673,000 during the three months ended March 31, 2007, compared to $170,000 during the same period of 2006. The increase was related to the payment in full of the $1,500,000 note receivable held by El Monte in January 2007. The note was received as part of the sale of the El Monte facility, at which point the

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Company determined that the cost recovery method of accounting was appropriate for gain recognition. Accordingly, revenue was deferred until collection of the note receivable, which occurred in January 2007.

Depreciation Expense - Puerto Rico Operations:
Depreciation expense for the three months ended March 31, 2007, and 2006, was $913,000 and $897,000 respectively. The $16,000 increase is primarily attributable to the depreciation expense in the apartment properties due to the replacement of elevators in some apartment partnerships. In addition, the depreciation expense increased in the new office building and our corporate office furniture and leasehold improvements.

Interest Expense - Puerto Rico Operations:
The Company considers interest expense on all Puerto Rico debt available for capitalization to the extent of average qualifying assets for the period. Interest specific to the construction of qualifying assets, represented primarily by our recourse debt, is first considered for capitalization. To the extent qualifying assets exceed debt specifically identified a weighted average rate including all other debt of the Puerto Rico segment is applied. Any excess interest is reflected as interest expense. For 2007 and 2006, the excess interest primarily relates to the interest incurred on the non-recourse debt from our investment properties.
Interest expense increased $13,000, less than 1%, for the first three months of 2007 to $1,581,000, as compared to $1,568,000 for the same period of 2006.
For the three months ended March 31, 2007, $39,000 of interest cost was capitalized. During the same period in 2006, $271,000 of interest cost was capitalized.

Minority Interest in Consolidated Entities - Puerto Rico Operations:
The Company records minority interest expense related to the minority partners' share of the consolidated apartment partnerships earnings and distributions to minority partners in excess of their basis in the consolidated partnership. Losses charged to the minority interest are limited to the minority partners' basis in the partnership. Because the minority interest holders in most of our partnerships have received distributions in excess of their basis, we anticipate volatility in minority interest expense. Although this allows us to recognize 100 percent of the income of the partnerships up to distributions and losses in excess of basis previously required to be recognized as our expense, we will be required to expense 100 percent of future distributions to minority partners and any subsequent losses.
Minority interest for the three-month period ended March 31, 2007, increased $315,000 to $1,372,000, as compared to $1,057,000 for the same period of 2006. The increase was primarily the result of a $400,000 distribution made to minority partners of one of our partnerships that was refinanced at the end of 2006. In addition, the Company made surplus cash distributions of $972,000 to the minority partners for the first quarter 2007 as compared to surplus cash distributions of $1,057,000 for the same period 2006.

Provision for Income Taxes - Puerto Rico Operations:
The effective tax rate for the three months ended March 31, 2007 and 2006 were 54%, and 30%, respectively. The statutory rate is 29%. The difference in the statutory tax rate and the effective tax rate for the three months ended March 31, 2007, was primarily due to the double taxation on the earnings of our wholly owned corporate subsidiary, ICP. As a result of a non-recurring gain related to its investment in El Monte, ICP's current taxes payable and ACPT's related deferred tax liability on the ICP undistributed earnings experienced a considerable increase during the quarter. The effective tax rate for the benefit for income taxes for the first quarter 2006 did not differ substantially from the statutory rate.

LIQUIDITY AND CAPITAL RESOURCES

Summary of Cash Flows

As of March 31, 2007, the Company had cash and cash equivalents of $33,081,000 and $21,067,000 in restricted cash. The following table sets forth the changes in the Company's cash flows ($ in thousands):

	Three Months Ended March 31,	
	2007	2006
Operating Activities	**$ 914**	$ 1,587
Investing Activities	**(1,888)**	(3)
Financing Activities	**6,596**	(1,832)
Net Decrease in Cash	**$ 5,622**	$ (248)

For the three months ended March 31, 2007, operating activities provided $914,000 of cash flows compared to $1,587,000 of cash flows provided by operating activities for the three months ended March 31, 2006. The $673,000 decrease in cash flows from

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operating activities for the first quarter of 2007 compared to the same period in 2006 is primarily related to the phases of our community development and homebuilding activities. For the first quarter of 2007, additions to our community development assets were $2,310,000 in excess of the additions during the same period of 2006. The Company continues to invest a significant amount into infrastructure within St. Charles. This increase was offset by a decrease of $1,584,000 in our homebuilding expenditures for the three months ended March 31, 2007 as compared to the same period in 2006. As of March 31, 2007, the Torres project was substantially complete, whereas it was undergoing significant construction during the first quarter 2006. From period to period, cash flow from operating activities is also impacted by changes in our net income, as discussed more fully above under "Results of Operations," as well as changes in our receivables and payables.

For the quarter ended March 31, 2007, net cash used in investing activities was $1,888,000 compared to $3,000 for the first quarter of 2006. Cash provided by or used in investing activities generally relates to increases in our investment portfolio through acquisition, development or construction of rental properties and land held for future use, net of returns on our investments. The change in cash related to investing activities was primarily the result of adding 11 additional properties to our consolidation as of January 1, 2006, under the new provisions of EITF-04-05, at which point we added $4,723,000 to the consolidated cash balance. In addition, the Company increased its investment in capital improvements for the first quarter of 2007 as compared to the first quarter 2006. The $1,878,000 increase in capital improvements resulted from the refinancing of several apartment properties and re-investment of some of those proceeds into the related projects. These decreases were partially offset by the completion of Sheffield Greens Apartments in the first quarter of 2007, requiring the investment of only $56,000 for the first quarter of 2007 as compared to the investment of $3,464,000 for the first quarter 2006. In addition, the Company received $1,707,000 million in the first quarter of 2007 related to principal and accrued interest payments on the El Monte receivable.

For the three months ended March 31, 2007, net cash provided by financing activities was $6,596,000 as compared to cash used in financing activities of $1,832,000 for the three months ended March 31, 2006. The increase in cash provided by financing activities was primarily the result of the refinancing of the mortgages of two apartment properties, Village Lake Apartments, LLC and Coachman’s Apartments, LLC during the first quarter of 2007, as discussed in more detail below. In addition, the Company drew down on the Charles County bond escrow as construction of infrastructure within St. Charles continues. These additions were offset by increased distributions to minority interests and the timing of dividend payments to shareholders.

Contractual Financial Obligations

The following chart reflects our contractual financial obligations as of March 31, 2007:

Payments Due By Period

	Total	**Less Than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**
Recourse debt-community development and homebuilding	$ 27,396	$ 1,376	$ 7,077	$ 3,349	$ 15,594
Capital lease obligations	171	43	99	29	-
Total Recourse Debt	27,567	1,419	7,176	3,378	15,594
Non-recourse debt-community	500	500	-	-	-

development					
Non-recourse debt-investment properties	280,790	3,598	19,051	9,651	248,490
Total Non-Recourse Debt	281,290	4,098	19,051	9,651	248,490
Operating lease obligations	1,229	360	847	22	-
Purchase obligations	35,408	19,601	15,553	54	200
Total contractual financial obligations	$345,494	$25,478	$42,627	$13,105	$264,284

Recourse Debt - U.S. Operations

On April 14, 2006, the Company closed a three year $14,000,000 revolving line of credit loan ("the Revolver") secured by a first lien deed of trust on property located in St. Charles, MD. The maximum amount of the loan at any one time is $14,000,000. The facility includes various sub-limits on a revolving basis for amounts to finance apartment project acquisitions and land development in St. Charles. The terms require certain financial covenants to be calculated annually as of December 31, including a tangible net worth to senior debt ratio for ALD and a minimum net worth test for ACPT. The Company was in compliance with these financial

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covenants as of March 31, 2007. As of March 31, 2007, no amounts were outstanding on the Revolver. Management expects to fund development operations from current cash balances and operating cash flows rather than borrowings from the line of credit.

Pursuant to an agreement reached between ACPT and the Charles County Commissioners in 2002, the Company agreed to accelerate the construction of two major roadway links to the Charles County (the "County") road system. As part of the agreement, the County agreed to issue general obligation public improvement Bonds (the “Bonds”) to finance $20,000,000 of this construction guaranteed by letters of credit provided by Lennar as part of a residential lot sales contract for 1,950 lots in Fairway Village. The Bonds were issued in three installments with the final $6,000,000 installment issued in March 2006. The Bonds bear interest rates ranging from 4% to 8%, for a blended lifetime rate for total Bonds issued to date of 5.1%, and call for semi-annual interest payments and annual principal payments and mature in fifteen years. Under the terms of bond repayment agreements between the Company and the County, the Company is obligated to pay interest and principal on the full amount of the Bonds; as such, the Company recorded the full amount of the debt and a receivable from the County representing the undisbursed Bond proceeds to be advanced to the Company as major infrastructure development within the project occurs. As part of the agreement, the Company will pay the County a monthly payment equal to one-sixth of the semi-annual interest payments and one-twelfth of the annual principal payment due on the Bonds. The County also requires ACPT to fund an escrow account from lot sales that will be used to repay this obligation.

In August 2005, the Company signed a memorandum of understanding ("MOU") with the Charles County Commissioners regarding a land donation that is anticipated to house a planned minor league baseball stadium and entertainment complex. Under the terms of the MOU, the Company donated 42 acres of land in St. Charles to the County on December 31, 2005. The Company also agreed to expedite off-site utilities, storm-water management and road construction improvements that will serve the entertainment complex and future portions of St. Charles so that the improvements will be completed concurrently with the entertainment complex. The County will be responsible for infrastructure improvements on the site of the complex. In return, the County agreed to issue $7,000,000 of general obligation bonds to finance the infrastructure improvements. In March 2006, $4,000,000 of bonds were issued for this project, with an additional $3,000,000 issued in March 2007. The funds provided by the County for this project will be repaid by ACPT over a 15-year period. In addition, the County agreed to issue an additional 100 school allocations a year to St. Charles commencing with the issuance of bonds.

In December 2006, the Company reached an agreement with Charles County whereby the Company receives interest payments on any undistributed bond proceeds held in escrow by the County. The agreement covers the period from July 1, 2005 through the last draw made by the Company.

Recourse Debt - Puerto Rico Operations

Substantially all of the Company's 490 acres of community development land assets in Parque El Comandante within the Puerto Rico segment are encumbered by recourse debt. The homebuilding and land assets in Parque Escorial are unencumbered as of March 31, 2007. On September 1, 2006, LDA secured a revolving line of credit facility of $15,000,000 to be utilized as follows: (i) to repay its outstanding loan of $800,000; and (ii) to fund development costs of a project in which the Company plans to develop a planned community in Canovanas, Puerto Rico, to fund acquisitions and/or investments mainly in estate ventures, to fund transaction costs and expenses, to fund future payments of interest under the line of credit and to fund the working capital needs of the Company. The line of credit bears interest at a fluctuating rate equivalent to the LIBOR Rate plus 200 basis points (7.36% at March 31, 2007) and matures on August 31, 2008. The outstanding balance of this facility on March 31, 2007 was $2,600,000.

Non-Recourse Debt - U.S. Operations

As more fully described in Note 4 to our Consolidated Financial Statements included in this Form 10-Q, the non-recourse apartment properties' debt is collateralized by apartment projects. As of March 31, 2007, approximately 45% of this debt is secured by the Federal Housing Administration ("FHA") or the Maryland Housing Fund.

Non-recourse debt within our U.S. operations also includes a construction loan for a new apartment project in St. Charles. On August 11, 2005, Sheffield Greens Apartments, LLC ("Sheffield Greens"), a wholly owned subsidiary of the Company, obtained a non-recourse construction loan of $27,008,000 to fund the construction costs for a new apartment property in St. Charles' Fairway Village. The construction loan will mature in September 2007 and at such time will convert into a 40-year non-recourse permanent mortgage. The loan has a fixed interest rate of 5.47%, and requires interest-only payments during the construction phase followed by principal and interest payments until maturity. The loan is subject to a HUD regulatory agreement. The loan documents provide for covenants and events of default that are customary for mortgage loans insured by the Federal Housing Authority.

On January 31, 2007, Coachman’s Apartments, LLC (“Coachman’s”), a majority-owned subsidiary of the Company, secured a non-recourse mortgage of $11,000,000. The ten-year loan, amortized over 30 years, has a fixed interest rate of 5.555%, requires principal and interest payments through maturity and a balloon payment at the maturity date, February 1, 2017. The prior mortgage of $6,020,000 was repaid and the net proceeds from the refinancing will be used for overall apartment property improvements, the repayment of recourse debt, future development efforts and potential acquisitions.

On February 1, 2007, Village Lake Apartments, LLC (“Village Lake”), a majority-owned subsidiary of the Company, secured a non-recourse mortgage of $9,300,000. The ten-year loan, amortized over 30 years, has a fixed interest rate of 5.72%, requires principal and interest payments through maturity and a balloon payment at the maturity date, February 1, 2017. The prior mortgage of $6,981,000 was repaid and the net proceeds from the refinancing will be used for overall apartment property improvements, the repayment of recourse debt, future development efforts and potential acquisitions.

In the fourth quarter of 2005, the Company purchased 22 residential acres adjacent to the Sheffield Neighborhood in St. Charles for $1,000,000. The Company paid $500,000 in cash and signed a two-year, non-interest bearing, non-recourse note, for $500,000 due in November 2007.

Non-Recourse Debt - Puerto Rico Operations
As more fully described in Note 4 to our Consolidated Financial Statements included in this Form 10-Q, the non-recourse debt is collateralized by the respective multifamily apartment project or commercial building. As of March 31, 2007, approximately 1% of this debt is secured by the Federal Housing Administration ("FHA"). There were no significant changes to our non-recourse debt obligations during the three months ended March 31, 2007.

Purchase Obligations and Other Contractual Obligations
In addition to our contractual obligations described above, we have other purchase obligations consisting primarily of contractual commitments for normal operating expenses at our apartment properties, recurring corporate expenditures including employment, consulting and compensation agreements and audit fees, non-recurring corporate expenditures such as improvements at our investment properties, the construction of the new apartment projects in St. Charles, costs associated with our land development contracts for the County’s road projects and the development of our land in the U.S. and Puerto Rico. Our U.S. and Puerto Rico land development and construction contracts are subject to increases in cost of materials and labor and other project overruns. Our overall capital requirements will depend upon acquisition opportunities, the level of improvements on existing properties and the cost of future phases of residential and commercial land development. For the remainder of 2007 and into 2008, the Company plans to continue its development activity within the master planned communities in St. Charles and Puerto Rico and may commit to future contractual obligations at that time.

Liquidity Requirements
Our short-term liquidity requirements consist primarily of obligations under capital and operating leases, normal recurring operating expenses, regular debt service requirements, non-recurring expenditures and dividends to common shareholders. The Company has historically met its liquidity requirements from cash flow generated from residential and commercial land sales, home sales, property management fees, and rental property revenue. However, a significant reduction in the demand for real estate or a decline in the prices of real estate could adversely impact our cash flows. Anticipated cash flow from operations, existing loans, refinanced or extended loans, and new financing are expected to meet our financial commitments for the year. However, there are no assurances that these funds will be generated.
We are actively seeking additions to our multifamily apartment property portfolio and our real estate holdings. We are currently pursuing various opportunities to purchase additional multifamily apartment properties in the Baltimore, Maryland and Washington, D.C. areas. Future acquisitions may be financed through a combination of Company equity, third party equity and market rate mortgages. For the remainder of 2007 and into 2008, we may seek additional development loans and permanent mortgages for continued development and expansion of St. Charles and Parque Escorial and other potential rental property opportunities.
The Company will evaluate and determine on a continuing basis, depending upon market conditions and the outcome of events described under the section titled "Forward-Looking Statements," the most efficient use of the Company's capital, including acquisitions and dispositions, purchasing, refinancing, exchanging or retiring certain of the Company's outstanding debt obligations, distributions to shareholders and its existing contractual obligations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to certain financial market risks, the most predominant being fluctuations in interest rates. Interest rate fluctuations are monitored by the Company's management as an integral part of the Company's overall

risk management program, which recognizes the unpredictability of financial markets and seeks to reduce the potentially adverse effect on the Company's results of operations.

As of March 31, 2007, there have been no material changes in the Company's financial market risk since December 31, 2006 as discussed in the Company's Annual Report on Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

In connection with the preparation of this Form 10-Q, as of March 31, 2007, an evaluation was performed under the supervision and with the participation of the Company's management, including the CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 13a-15(e) under the Exchange Act. In performing this evaluation, management reviewed the selection, application and monitoring of our historical accounting policies. Based on that evaluation, the CEO and CFO concluded that these disclosure controls and procedures, because of the material weakness in internal control discussed below, were not effective in ensuring that the information required to be disclosed in our reports filed with the SEC is recorded, processed, summarized and reported on a timely basis.

During the preparation of the Company's 2004 tax returns in the fourth quarter 2005, the Company became aware that certain intercompany interest income was subject to U.S. withholding tax when the interest was paid and certain income from its Puerto Rico operations could be treated as income of ACPT even though it was not distributed to ACPT. The Company determined that neither the obligation to pay the withholding tax or exposure related to the tax status had been previously accrued. Accordingly, the Company announced on November 15, 2005, that the Company would restate financial statements for the periods covered in its Form 10-K for the fiscal year ended December 31, 2004 and the Forms 10-Q for the first two quarters of fiscal 2005 to correct previously reported amounts related to these income tax matters.
The Company determined the accounting errors referenced above indicated a material weakness in internal controls with respect to accounting for income taxes. A material weakness in internal control is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements would not be prevented or detected on a timely basis by the Company. The Company has implemented controls and procedures designed to remediate this material weakness. These controls and procedures include hiring a new Director of Tax who will help manage the tax compliance and tax accounting process, retaining international tax advisors to provide the Company with updates related to changes in international tax laws impacting the Company, providing in-house tax professionals and senior financial management with additional training to enhance their awareness of potential international tax matters and implementation of other additional control procedures related to accounting for income taxes. In order to remediate the material weakness, management must ensure that these new controls and procedures are operating effectively and fully address the risks giving rise to the material weakness. Management believes that once sufficient evidence of the operating effectiveness of these controls exists, the material weakness will be fully remediated.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See the information under the heading "Legal Matters" in Note 5 to the consolidated financial statements in this Form 10-Q for information regarding legal proceedings, which information is incorporated by reference in this Item 1.

ITEM 1A. RISK FACTORS

There has been no material change in the Company’s risk factors from those outlined in the Company’s Annual Report on Form 10-K for the year ended December 31, 2006.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

(A) Exhibits

31.1	Rule 13a-14(a)/15d-14(a) Certification of Chairman and Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32.1	Section 1350 Certification of Chairman and Chief Executive Officer
32.2	Section 1350 Certification of Chief Financial Officer

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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: May 15, 2007 By: /s/ J. Michael Wilson
J. Michael Wilson
Chairman and Chief Executive Officer

Dated: May 15, 2007 By: /s/ Cynthia L. Hedrick
Cynthia L. Hedrick
Chief Financial Officer

Dated: May 15, 2007 By: /s/ Matthew M. Martin
Matthew M. Martin
Chief Accounting Officer