AMERICAN CAMPUS COMMUNITIES INC
Form 10-Q
November 08, 2013

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

FORM 10-Q

ý Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2013.

o Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Transition Period From ______________________ to _________________________

Commission file number 001-32265 (American Campus Communities, Inc.)
Commission file number 333-181102-01 (American Campus Communities Operating Partnership, L.P.)

AMERICAN CAMPUS COMMUNITIES, INC.
AMERICAN CAMPUS COMMUNITIES OPERATING PARTNERSHIP, L.P.
(Exact name of registrant as specified in its charter)

Maryland (American Campus Communities, Inc.) Maryland (American Campus Communities Operating Partnership, L.P.) (State or Other Jurisdiction of Incorporation or Organization)	76-0753089 (American Campus Communities, Inc.) 56-2473181 (American Campus Communities Operating Partnership, L.P.) (IRS Employer Identification No.)
12700 Hill Country Blvd., Suite T-200 Austin, TX (Address of Principal Executive Offices)	78738 (Zip Code)

(512) 732-1000
Registrant’s telephone number, including area code

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

American Campus Communities, Inc.	Yes x No o
American Campus Communities Operating Partnership, L.P.	Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

American Campus Communities, Inc.	Yes x No o
American Campus Communities Operating Partnership, L.P.	Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

American Campus Communities, Inc.	
Large accelerated filer x	Accelerated Filer o

Non-accelerated filer o	(Do not check if a smaller reporting company)	Smaller reporting company o

American Campus Communities Operating Partnership, L.P.

Large accelerated filer o		Accelerated Filer o
Non-accelerated filer x	(Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

American Campus Communities, Inc.	Yes o No x
American Campus Communities Operating Partnership, L.P	Yes o No x

There were 104,782,817 shares of the American Campus Communities, Inc.'s common stock with a par value of $0.01 per share outstanding as of the close of business on October 31, 2013.

EXPLANATORY NOTE

This report combines the reports on Form 10-Q for the quarterly period ended September 30, 2013 of American Campus Communities, Inc. and American Campus Communities Operating Partnership, L.P. Unless stated otherwise or the context otherwise requires, references to “ACC” mean American Campus Communities, Inc., a Maryland real estate investment trust (“REIT”), and references to “ACCOP” mean American Campus Communities Operating Partnership, L.P., a Maryland limited partnership. References to the “Company,” “we,” “us” or “our” mean collectively ACC, ACCOP and those entities/subsidiaries owned or controlled by ACC and/or ACCOP. References to the “Operating Partnership” mean collectively ACCOP and those entities/subsidiaries owned or controlled by ACCOP. The following chart illustrates the Company’s and the Operating Partnership’s corporate structure:

The general partner of ACCOP is American Campus Communities Holdings, LLC (“ACC Holdings”), an entity that is wholly-owned by ACC. As of September 30, 2013, ACC Holdings held an ownership interest in ACCOP of less than 1%. The limited partners of ACCOP are ACC and other limited partners consisting of current and former members of management and nonaffiliated third parties. As of September 30, 2013, ACC owned an approximate 98.7% limited partnership interest in ACCOP. As the sole member of the general partner of ACCOP, ACC has exclusive control of ACCOP’s day-to-day management. Management operates the Company and the Operating Partnership as one business. The management of ACC consists of the same members as the management of ACCOP. The Company is structured as an umbrella partnership REIT (“UPREIT”) and ACC contributes all net proceeds from its various equity offerings to the Operating Partnership. In return for those contributions, ACC receives a number of units of the Operating Partnership (“OP Units,” see definition below) equal to the number of common shares it has issued in the equity offering. Contributions of properties to the Company can be structured as tax-deferred transactions through the issuance of OP Units in the Operating Partnership. Based on the terms of ACCOP’s partnership agreement, OP Units can be exchanged for ACC’s common shares on a one-for-one basis. The Company maintains a one-for-one relationship between the OP Units of the Operating Partnership issued to ACC and ACC Holdings and the common shares issued to the public. The Company believes that combining the reports on Form 10-Q of ACC and ACCOP into this single report provides the following benefits:

(1) enhances investors’ understanding of the Company and the Operating Partnership by enabling investors to view the business as a whole in the same manner as management views and operates the business;
(2) eliminates duplicative disclosure and provides a more streamlined and readable presentation since a substantial portion of the disclosure applies to both the Company and the Operating Partnership; and
(3) creates time and cost efficiencies through the preparation of one combined report instead of two separate reports.

ACC consolidates ACCOP for financial reporting purposes, and ACC essentially has no assets or liabilities other than its investment in ACCOP. Therefore, the assets and liabilities of the Company and the Operating Partnership are the same on their respective financial statements. However, the Company believes it is important to understand the few differences between the Company and the Operating Partnership in the context of how the entities operate as a consolidated company. All of the Company's property ownership, development and related business operations are conducted through the Operating Partnership. ACC also issues public equity from time to time and guarantees certain debt of ACCOP, as disclosed in this report. ACC does not have any indebtedness, as all debt is incurred by the Operating Partnership. The Operating Partnership holds substantially all of the assets of the Company, including the Company's ownership interests in its joint ventures. The Operating Partnership conducts the operations of the business and is structured as a partnership with no publicly traded equity. Except for the net proceeds from ACC's equity offerings, which are contributed to the capital of ACCOP in exchange for OP Units on a one-for-one common share per OP Unit basis, the Operating Partnership generates all remaining capital required by the Company's business. These sources include, but are not limited to, the Operating Partnership's working capital, net cash provided by operating activities, borrowings under its credit facility, and proceeds received from the disposition of certain properties. Noncontrolling interests, stockholders' equity, and partners' capital are the main areas of difference between the consolidated financial statements of the Company and those of the Operating Partnership. The noncontrolling interests in the Operating Partnership's financial statements consist of the interests of unaffiliated partners in various consolidated joint ventures. The noncontrolling interests in the Company's financial statements include the same noncontrolling interests at the Operating Partnership level and OP Unit holders of the Operating Partnership. The differences between stockholders' equity and partners' capital result from differences in the equity issued at the Company and Operating Partnership levels.

To help investors understand the significant differences between the Company and the Operating Partnership, this report provides separate consolidated financial statements for the Company and the Operating Partnership. A single set of consolidated notes to such financial statements is presented that includes separate discussions for the Company and the Operating Partnership when applicable (for example, noncontrolling interests, stockholders' equity or partners' capital, earnings per share or unit, etc.). A combined Management's Discussion and Analysis of Financial Condition and Results of Operations section is also included that presents discrete information related to each entity, as applicable. This report also includes separate Part I, Item 4 Controls and Procedures sections and separate Exhibits 31 and 32 certifications for each of the Company and the Operating Partnership in order to establish that the requisite certifications have been made and that the Company and the Operating Partnership are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934 and 18 U.S.C. §1350.

In order to highlight the differences between the Company and the Operating Partnership, the separate sections in this report for the Company and the Operating Partnership specifically refer to the Company and the Operating Partnership. In the sections that combine disclosure of the Company and the Operating Partnership, this report refers to actions or holdings as being actions or holdings of the Company. Although the Operating Partnership is generally the entity that directly or indirectly enters into contracts and joint ventures and holds assets and debt, reference to the Company is appropriate because the Company operates its business through the Operating Partnership. The separate discussions of the Company and the Operating Partnership in this report should be read in conjunction with each other to understand the results of the Company on a consolidated basis and how management operates the Company.

FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2013
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AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	September 30, 2013 (Unaudited)	December 31, 2012
Assets		
Investments in real estate:		
Wholly-owned properties, net	$5,003,173	$4,871,376
Wholly-owned properties held for sale	23,707	—
On-campus participating properties, net	62,162	57,346
Investments in real estate, net	5,089,042	4,928,722
Cash and cash equivalents	25,267	21,454
Restricted cash	37,480	36,790
Student contracts receivable, net	17,207	14,122
Other assets	151,090	117,874
Total assets	$5,320,086	$5,118,962
Liabilities and equity		
Liabilities:		
Secured mortgage, construction and bond debt	$1,414,943	$1,509,105
Secured agency facility	95,355	104,000
Unsecured notes	398,692	—
Unsecured term loan	350,000	350,000
Unsecured revolving credit facility	175,300	258,000
Accounts payable and accrued expenses	63,895	56,046
Other liabilities	135,788	107,223
Total liabilities	2,633,973	2,384,374
Commitments and contingencies (Note 14)		
Redeemable noncontrolling interests	49,790	57,534
Equity:		
American Campus Communities, Inc. stockholders’ equity:		
Common stock, $.01 par value, 800,000,000 shares authorized, 104,782,817 and 104,665,212 shares issued and outstanding at September 30, 2013 and December 31, 2012, respectively	1,043	1,043
Additional paid in capital	3,014,239	3,001,520
Accumulated earnings and dividends	(382,231)	(347,521)
Accumulated other comprehensive loss	(2,210)	(6,661)
Total American Campus Communities, Inc. stockholders’ equity	2,630,841	2,648,381
Noncontrolling interests - partially owned properties	5,482	28,673
Total equity	2,636,323	2,677,054

Total liabilities and equity	$5,320,086	$5,118,962

See accompanying notes to consolidated financial statements.

AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited, in thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenues				
Wholly-owned properties	$150,668	$104,062	$449,779	$286,932
On-campus participating properties	5,066	5,087	17,871	17,766
Third-party development services	622	1,467	1,656	7,427
Third-party management services	1,792	1,687	5,425	5,083
Resident services	883	454	1,912	982
Total revenues	159,031	112,757	476,643	318,190
Operating expenses				
Wholly-owned properties	87,189	57,941	222,768	141,772
On-campus participating properties	3,021	3,010	8,454	8,306
Third-party development and management services	3,058	2,602	7,786	8,013
General and administrative	3,934	7,582	12,366	15,760
Depreciation and amortization	45,248	27,165	138,373	73,355
Ground/facility leases	1,386	1,093	3,749	2,861
Total operating expenses	143,836	99,393	393,496	250,067
Operating income	15,195	13,364	83,147	68,123
Nonoperating income and (expenses)				
Interest income	792	428	2,165	1,355
Interest expense	(19,819)	(13,530)	(57,063)	(38,742)
Amortization of deferred financing costs	(1,413)	(1,060)	(4,143)	(3,012)
Income from unconsolidated joint ventures	—	—	—	444
Other nonoperating income (expense)	134	136	(2,666)	14
Total nonoperating expenses	(20,306)	(14,026)	(61,707)	(39,941)
(Loss) income before income taxes and discontinued operations	(5,111)	(662)	21,440	28,182
Income tax provision	(255)	(181)	(765)	(493)
(Loss) income from continuing operations	(5,366)	(843)	20,675	27,689
Income attributable to discontinued operations	367	1,865	5,373	7,062
Gain from disposition of real estate	52,831	—	52,831	83
Total discontinued operations	53,198	1,865	58,204	7,145
Net income	47,832	1,022	78,879	34,834
Net income attributable to noncontrolling interests				
Redeemable noncontrolling interests	(573)	(66)	(986)	(541)
Partially owned properties	(83)	(329)	(1,078)	(1,312)
Net income attributable to noncontrolling interests	(656)	(395)	(2,064)	(1,853)
	$47,176	$627	$76,815	$32,981

Net income attributable to common shareholders								
Other comprehensive (loss) income								
Change in fair value of interest rate swaps	(1,163	)	(2,386	)	4,451		(4,191	)
Comprehensive income (loss)	$46,013		$(1,759	)	$81,266		$28,790	
(Loss) income per share attributable to common shareholders - basic								
(Loss) income from continuing operations per share	$(0.05	)	$(0.02	)	$0.18		$0.32	
Net income per share	$0.45		$—		$0.73		$0.41	
(Loss) income per share attributable to common shareholders - diluted								
(Loss) income from continuing operations per share	$(0.05	)	$(0.02	)	$0.18		$0.31	
Net income per share	$0.45		$—		$0.72		$0.40	
Weighted-average common shares outstanding								
Basic	104,781,431		89,169,868		104,752,982		79,404,323	
Diluted	104,781,431		89,169,868		105,381,053		80,009,463	

See accompanying notes to consolidated financial statements.

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AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(unaudited, in thousands, except share data)

	Common Shares	Par Value of Common Shares	Additional Paid in Capital	Accumulated Earnings and Dividends	Accumulated Other Comprehensive Loss	Noncontrolling Interests – partially owned properties	Total
Equity, December 31, 2012	104,665,212	$1,043	$3,001,520	$(347,521)	$(6,661)	$28,673	$2,677,054
Adjustments to reflect redeemable noncontrolling interests at fair value	—	—	10,823	—	—	—	10,823
Amortization of restricted stock awards	—	—	4,806	—	—	—	4,806
Vesting of restricted stock awards and restricted stock units	116,105	—	(2,928)	—	—	—	(2,928)
Distributions to common and restricted stockholders	—	—	—	(111,525)	—	—	(111,525)
Distributions to noncontrolling joint venture partners	—	—	—	—	—	(861)	(861)
Contributions by noncontrolling partners	—	—	—	—	—	1,500	1,500
Increase in ownership of consolidated subsidiary	—	—	—	—	—	(24,908)	(24,908)
Conversion of preferred units to common stock	1,500	—	18	—	—	—	18
Change in fair value of interest rate swaps	—	—	—	—	4,451	—	4,451
Net income	—	—	—	76,815	—	1,078	77,893
Equity, September 30, 2013	104,782,817	$1,043	$3,014,239	$(382,231)	$(2,210)	$5,482	$2,636,323

See accompanying notes to consolidated financial statements.

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AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)

	Nine Months Ended September 30, 2013	2012
Operating activities		
Net income	$78,879	$34,834
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain from disposition of real estate	(52,831)	(83)
Loss on remeasurement of equity method investment	—	122
Depreciation and amortization	140,059	77,407
Amortization of deferred financing costs and debt premiums/discounts	(6,397)	1,904
Share-based compensation	5,008	3,948
Income from unconsolidated joint ventures	—	(444)
Income tax provision	765	493
Changes in operating assets and liabilities:		
Restricted cash	1,468	(2,772)
Student contracts receivable, net	(3,333)	(4,088)
Other assets	(16,315)	1,224
Accounts payable and accrued expenses	3,577	8,930
Other liabilities	25,919	11,877
Net cash provided by operating activities	176,799	133,352
Investing activities		
Proceeds from disposition of real estate	155,234	28,167
Cash paid for property acquisitions	(92,508)	(634,581)
Cash paid for land acquisitions	(9,920)	(25,103)
Capital expenditures for wholly-owned properties	(52,587)	(20,739)
Investments in wholly-owned properties under development	(219,036)	(265,070)
Capital expenditures for on-campus participating properties	(1,323)	(1,710)
Investment in on-campus participating properties under development	(7,045)	—
Investment in loans receivable	(52,038)	—
Investment in mezzanine loans	(8,750)	(2,000)
Repayment of mezzanine loan	—	4,000
Increase in escrow deposits	(2,500)	(19,170)
Change in restricted cash related to capital reserves	(1,156)	(366)
Proceeds from insurance settlement	636	—
Purchase of corporate furniture, fixtures and equipment	(1,997)	(1,396)
Net cash used in investing activities	(292,990)	(937,968)
Financing activities		
Proceeds from unsecured notes	398,636	—
Proceeds from sale of common stock	—	838,313
Offering costs	—	(33,223)
Pay-off of mortgage loans and construction loans	(61,891)	(62,182)
Proceeds from unsecured term loan	—	150,000
Proceeds from credit facilities	364,855	371,000
Pay downs of credit facilities	(456,200)	(438,000)

Proceeds from construction loans	3,917	72,583
Principal payments on debt	(11,353)	(8,064)
Redemption of common units for cash	—	(132)
Debt issuance and assumption costs	(4,239)	(5,655)
Distributions to common and restricted stockholders	(111,525)	(82,083)
Distributions to noncontrolling partners	(2,196)	(2,329)
Net cash provided by financing activities	120,004	800,228
Net change in cash and cash equivalents	3,813	(4,388)
Cash and cash equivalents at beginning of period	21,454	22,399
Cash and cash equivalents at end of period	$25,267	$18,011
Supplemental disclosure of non-cash investing and financing activities		
Loans assumed in connection with property acquisitions	$—	$(250,073)
Issuance of common units in connection with property acquisitions	$(3,451)	$(15,000)
Change in fair value of derivative instruments, net	$4,451	$(4,191)
Supplemental disclosure of cash flow information		
Interest paid	$70,226	$48,390

See accompanying notes to consolidated financial statements.

AMERICAN CAMPUS COMMUNITIES OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except unit data)

	September 30, 2013 (Unaudited)	December 31, 2012
Assets		
Investments in real estate:		
Wholly-owned properties, net	$5,003,173	$4,871,376
Wholly-owned properties held for sale	23,707	—
On-campus participating properties, net	62,162	57,346
Investments in real estate, net	5,089,042	4,928,722
Cash and cash equivalents	25,267	21,454
Restricted cash	37,480	36,790
Student contracts receivable, net	17,207	14,122
Other assets	151,090	117,874
Total assets	$5,320,086	$5,118,962
Liabilities and capital		
Liabilities:		
Secured mortgage, construction and bond debt	$1,414,943	$1,509,105
Secured agency facility	95,355	104,000
Unsecured notes	398,692	—
Unsecured term loan	350,000	350,000
Unsecured revolving credit facility	175,300	258,000
Accounts payable and accrued expenses	63,895	56,046
Other liabilities	135,788	107,223
Total liabilities	2,633,973	2,384,374
Commitments and contingencies (Note 14)		
Redeemable limited partners	49,790	57,534
Capital:		
Partners' capital:		
General partner – 12,222 OP units outstanding at both September 30, 2013 and December 31, 2012	112	116
Limited partner – 104,770,595 and 104,652,990 OP units outstanding at September 30, 2013 and December 31, 2012, respectively	2,632,939	2,654,926
Accumulated other comprehensive loss	(2,210)	(6,661)
Total partners' capital	2,630,841	2,648,381
Noncontrolling interests - partially owned properties	5,482	28,673
Total capital	2,636,323	2,677,054
Total liabilities and capital	$5,320,086	$5,118,962

See accompanying notes to consolidated financial statements.

AMERICAN CAMPUS COMMUNITIES OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited, in thousands, except unit and per unit data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenues				
Wholly-owned properties	$150,668	$104,062	$449,779	$286,932
On-campus participating properties	5,066	5,087	17,871	17,766
Third-party development services	622	1,467	1,656	7,427
Third-party management services	1,792	1,687	5,425	5,083
Resident services	883	454	1,912	982
Total revenues	159,031	112,757	476,643	318,190
Operating expenses				
Wholly-owned properties	87,189	57,941	222,768	141,772
On-campus participating properties	3,021	3,010	8,454	8,306
Third-party development and management services	3,058	2,602	7,786	8,013
General and administrative	3,934	7,582	12,366	15,760
Depreciation and amortization	45,248	27,165	138,373	73,355
Ground/facility leases	1,386	1,093	3,749	2,861
Total operating expenses	143,836	99,393	393,496	250,067
Operating income	15,195	13,364	83,147	68,123
Nonoperating income and (expenses)				
Interest income	792	428	2,165	1,355
Interest expense	(19,819)	(13,530)	(57,063)	(38,742)
Amortization of deferred financing costs	(1,413)	(1,060)	(4,143)	(3,012)
Income from unconsolidated joint ventures	—	—	—	444
Other nonoperating income (expense)	134	136	(2,666)	14
Total nonoperating expenses	(20,306)	(14,026)	(61,707)	(39,941)
(Loss) income before income taxes and discontinued operations	(5,111)	(662)	21,440	28,182
Income tax provision	(255)	(181)	(765)	(493)
(Loss) income from continuing operations	(5,366)	(843)	20,675	27,689
Income attributable to discontinued operations	367	1,865	5,373	7,062
Gain from disposition of real estate	52,831	—	52,831	83
Total discontinued operations	53,198	1,865	58,204	7,145
Net income	47,832	1,022	78,879	34,834
Net income attributable to noncontrolling interests – partially owned properties	(83)	(329)	(1,078)	(1,312)
Net income attributable to American Campus Communities Operating Partnership, L.P.	47,749	693	77,801	33,522
Series A preferred unit distributions	(46)	(46)	(137)	(137)
Net income available to common unitholders	$47,703	$647	$77,664	$33,385
Other comprehensive (loss) income				

Change in fair value of interest rate swaps	(1,163)	(2,386)	4,451	(4,191)
Comprehensive income (loss)	$46,540	$(1,739)	$82,115	$29,194
(Loss) income per unit attributable to common unitholders – basic				
(Loss) income from continuing operations per unit	$(0.05)	$(0.02)	$0.18	$0.32
Net income per unit	$0.45	$—	$0.73	$0.41
(Loss) income per unit attributable to common unitholders – diluted				
(Loss) income from continuing operations per unit	$(0.05)	$(0.02)	$0.18	$0.31
Net income per unit	$0.45	$—	$0.72	$0.40
Weighted-average common units outstanding				
Basic	105,919,787	90,069,204	105,887,837	80,291,801
Diluted	105,919,787	90,069,204	106,515,908	80,896,941

See accompanying notes to consolidated financial statements.

AMERICAN CAMPUS COMMUNITIES OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN CAPITAL
(unaudited, in thousands, except unit data)

	General Partner		Limited Partner		Accumulated Other Comprehensive	Noncontrolling Interests - Partially Owned	
	Units	Amount	Units	Amount	Loss	Properties	Total
Capital as of December 31, 2012	12,222	$116	104,652,990	$2,654,926	$ (6,661)	$ 28,673	$2,677,054
Adjustments to reflect redeemable limited partners' interest at fair value	—	—	—	10,823	—	—	10,823
Amortization of restricted stock awards	—	—	—	4,806	—	—	4,806
Vesting of restricted stock awards and restricted stock units	—	—	116,105	(2,928)	—	—	(2,928)
Distributions	—	(13)	—	(111,512)	—	—	(111,525)
Distributions to noncontrolling joint venture partners	—	—	—	—	—	(861)	(861)
Contributions by noncontrolling partners	—	—	—	—	—	1,500	1,500
Increase in ownership of consolidated subsidiary	—	—	—	—	—	(24,908)	(24,908)
Conversion of preferred units to common stock	—	—	1,500	18	—	—	18
Change in fair value of interest rate swaps	—	—	—	—	4,451	—	4,451
Net income	—	9	—	76,806	—	1,078	77,893
Capital as of September 30, 2013	12,222	$112	104,770,595	$2,632,939	$ (2,210)	$ 5,482	$2,636,323

See accompanying notes to consolidated financial statements.

AMERICAN CAMPUS COMMUNITIES OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)

	Nine Months Ended September 30,	
	2013	2012
Operating activities		
Net income	$78,879	$34,834
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain from disposition of real estate	(52,831)	(83)
Loss on remeasurement of equity method investment	—	122
Depreciation and amortization	140,059	77,407
Amortization of deferred financing costs and debt premiums/discounts	(6,397)	1,904
Share-based compensation	5,008	3,948
Income from unconsolidated joint ventures	—	(444)
Income tax provision	765	493
Changes in operating assets and liabilities:		
Restricted cash	1,468	(2,772)
Student contracts receivable, net	(3,333)	(4,088)
Other assets	(16,315)	1,224
Accounts payable and accrued expenses	3,577	8,930
Other liabilities	25,919	11,877
Net cash provided by operating activities	176,799	133,352
Investing activities		
Proceeds from disposition of real estate	155,234	28,167
Cash paid for property acquisitions	(92,508)	(634,581)
Cash paid for land acquisitions	(9,920)	(25,103)
Capital expenditures for wholly-owned properties	(52,587)	(20,739)
Investments in wholly-owned properties under development	(219,036)	(265,070)
Capital expenditures for on-campus participating properties	(1,323)	(1,710)
Investment in loans receivable	(52,038)	—
Investment in mezzanine loans	(8,750)	(2,000)
Investment in on-campus participating properties under development	(7,045)	—
Repayment of mezzanine loan	—	4,000
Increase in escrow deposits	(2,500)	(19,170)
Change in restricted cash related to capital reserves	(1,156)	(366)
Proceeds from insurance settlement	636	—
Purchase of corporate furniture, fixtures and equipment	(1,997)	(1,396)
Net cash used in investing activities	(292,990)	(937,968)
Financing activities		
Proceeds from unsecured notes	398,636	—
Proceeds from issuance of common units in exchange for contributions, net	—	805,090
Pay-off of mortgage loans and constructions loans	(61,891)	(62,182)
Proceeds from unsecured term loan	—	150,000
Proceeds from credit facilities	364,855	371,000
Paydowns of credit facilities	(456,200)	(438,000)
Proceeds from construction loans	3,917	72,583

Principal payments on debt	(11,353)	(8,064)
Redemption of common units for cash	—	(132)
Debt issuance and assumption costs	(4,239)	(5,655)
Distributions paid on unvested restricted stock awards	(710)	(652)
Distributions paid on common units	(112,013)	(82,301)
Distributions paid on preferred units	(137)	(137)
Distributions paid to noncontrolling partners - partially owned properties	(861)	(1,322)
Net cash provided by financing activities	120,004	800,228
Net change in cash and cash equivalents	3,813	(4,388)
Cash and cash equivalents at beginning of period	21,454	22,399
Cash and cash equivalents at end of period	$25,267	$18,011
Supplemental disclosure of non-cash investing and financing activities		
Loans assumed in connection with property acquisitions	$—	$(250,073)
Issuance of common units in connection with property acquistiions	$(3,451)	$(15,000)
Change in fair value of derivative instruments, net	$4,451	$(4,191)
Supplemental disclosure of cash flow information		
Interest paid	$70,226	$48,390

See accompanying notes to consolidated financial statements.

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1. Organization and Description of Business

American Campus Communities, Inc. ("ACC") is a real estate investment trust ("REIT") that commenced operations effective with the completion of an initial public offering ("IPO") on August 17, 2004. Through ACC's controlling interest in American Campus Communities Operating Partnership, L.P. ("ACCOP"), ACC is one of the largest owners, managers and developers of high quality student housing properties in the United States in terms of beds owned and under management. ACC is a fully integrated, self-managed and self-administered equity REIT with expertise in the acquisition, design, financing, development, construction management, leasing and management of student housing properties. ACC's common stock is publicly traded on the New York Stock Exchange ("NYSE") under the ticker symbol "ACC."

The general partner of ACCOP is American Campus Communities Holdings, LLC ("ACC Holdings"), an entity that is wholly-owned by ACC. As of September 30, 2013, ACC Holdings held an ownership interest in ACCOP of less than 1%. The limited partners of ACCOP are ACC and other limited partners consisting of current and former members of management and nonaffiliated third parties. As of September 30, 2013, ACC owned an approximate 98.7% limited partnership interest in ACCOP. As the sole member of the general partner of ACCOP, ACC has exclusive control of ACCOP's day-to-day management. Management operates ACC and ACCOP as one business. The management of ACC consists of the same members as the management of ACCOP. ACC consolidates ACCOP for financial reporting purposes, and ACC does not have significant assets other than its investment in ACCOP. Therefore, the assets and liabilities of ACC and ACCOP are the same on their respective financial statements. References to the "Company," "we," "us" or "our" mean collectively ACC, ACCOP and those entities/subsidiaries owned or controlled by ACC and/or ACCOP. References to the "Operating Partnership" mean collectively ACCOP and those entities/subsidiaries owned or controlled by ACCOP. Unless otherwise indicated, the accompanying Notes to the Consolidated Financial Statements apply to both the Company and the Operating Partnership.

As of September 30, 2013, our property portfolio contained 165 properties with approximately 100,600 beds in approximately 32,700 apartment units. Our property portfolio consisted of 142 owned off-campus student housing properties that are in close proximity to colleges and universities, 18 American Campus Equity ("ACE®") properties operated under ground/facility leases with eight university systems and five on-campus participating properties operated under ground/facility leases with the related university systems. Of the 165 properties, eight were under development as of September 30, 2013, and when completed will consist of a total of approximately 5,500 beds in approximately 1,700 units. Our communities contain modern housing units and are supported by a resident assistant system and other student-oriented programming, with many offering resort-style amenities.

Through one of ACC's taxable REIT subsidiaries ("TRSs"), we also provide construction management and development services, primarily for student housing properties owned by colleges and universities, charitable foundations, and others. As of September 30, 2013, also through one of ACC's TRSs, we provided third-party management and leasing services for 35 properties that represented approximately 25,900 beds in approximately 10,500 units. Third-party management and leasing services are typically provided pursuant to management contracts that have initial terms that range from one to five years. As of September 30, 2013, our total owned and third-party managed portfolio included 200 properties with approximately 126,500 beds in approximately 43,200 units.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements, presented in U.S. dollars, are prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the date of the financial statements, and revenue and expenses during the reporting periods. Our actual results could differ from those estimates and assumptions. All material intercompany transactions among consolidated entities have been eliminated. All dollar amounts in the tables herein, except share, per share, unit and per unit amounts, are stated in thousands unless otherwise indicated. Certain prior period amounts have been reclassified to conform to the current period presentation.

Interim Financial Statements

The accompanying interim financial statements are unaudited, but have been prepared in accordance with GAAP for interim financial information and in conjunction with the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all disclosures required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting solely of normal recurring matters) necessary for a fair presentation of the financial statements of the

Company for these interim periods have been included. Because of the seasonal nature of the Company's operations, the results of operations and cash flows for any interim period are not necessarily indicative of results for other interim periods or for the full year. These financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments in Real Estate

Investments in real estate are recorded at historical cost. Major improvements that extend the life of an asset are capitalized and depreciated over the remaining useful life of the asset. The cost of ordinary repairs and maintenance are charged to expense when incurred. Depreciation and amortization are recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings and improvements	7-40 years
Leasehold interest - on-campus participating properties	25-34 years (shorter of useful life or respective lease term)
Furniture, fixtures and equipment	3-7 years

Project costs directly associated with the development and construction of an owned real estate project, which include interest, property taxes, and amortization of deferred finance costs, are capitalized as construction in progress. Upon completion of the project, costs are transferred into the applicable asset category and depreciation commences. Interest totaling approximately $2.8 million and $2.4 million was capitalized during the three months ended September 30, 2013 and 2012, respectively, and $8.6 million and $8.3 million was capitalized during the nine months ended September 30, 2013 and 2012, respectively. Amortization of deferred financing costs totaling approximately $0.1 and was capitalized as construction in progress during both the three months ended September 30, 2013 and 2012, and $0.2 million and was capitalized as construction in progress during both the nine months ended September 30, 2013 and 2012.

Management assesses whether there has been an impairment in the value of the Company's investments in real estate whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is recognized when estimated expected future undiscounted cash flows are less than the carrying value of the property. The estimation of expected future net cash flows is inherently uncertain and relies on assumptions regarding current and future economics and market conditions. If such conditions change, then an adjustment to the carrying value of the Company's long-lived assets could occur in the future period in which the conditions change. To the extent that a property is impaired, the excess of the carrying amount of the property over its estimated fair value is charged to earnings. The Company believes that there were no impairments of the carrying values of its investments in real estate as of September 30, 2013.

The Company allocates the purchase price of acquired properties to net tangible and identified intangible assets based on relative fair values. Fair value estimates are based on information obtained from a number of sources, including independent appraisals that may be obtained in connection with the acquisition or financing of the respective property, our own analysis of recently acquired and existing comparable properties in our portfolio, and other market data. Information obtained about each property as a result of due diligence, marketing and leasing activities is also considered. The value allocated to land is generally based on the actual purchase price adjusted to fair value (as necessary) if acquired separately, or market research / comparables if acquired as part of an existing operating property. The value allocated to building is based on the fair value determined on an "as-if vacant" basis, which is estimated using an income, or discounted cash flow, approach that relies upon internally determined assumptions that we believe are consistent with current market conditions for similar properties. The value allocated to furniture, fixtures, and equipment is based on an estimate of the fair value of the appliances and fixtures inside the units.

Long-Lived Assets–Held for Sale

Long-lived assets to be disposed of are classified as Held for Sale in the period in which all of the following criteria are met:

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a. Management, having the authority to approve the action, commits to a plan to sell the asset.

b. The asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets.

c. An active program to locate a buyer and other actions required to complete the plan to sell the asset have been initiated.

d. The sale of the asset is probable, and transfer of the asset is expected to qualify for recognition as a completed sale, within one year.

e. The asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value.

f. Actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Concurrent with this classification, the asset is recorded at the lower of cost or fair value less estimated selling costs, and depreciation ceases.

Loans Receivable

Loans held for investment are intended to be held to maturity and, accordingly, are carried at cost, net of unamortized loan purchase discounts, and net of an allowance for loan losses when such loan is deemed to be impaired. Loan purchase discounts are amortized over the term of the loan. The Company considers a loan impaired when, based upon current information and events, it is probable that it will be unable to collect all amounts due for both principal and interest according to the contractual terms of the loan agreement. Significant judgments are required in determining whether impairment has occurred. The Company performs an impairment analysis by comparing either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable current market price or the fair value of the underlying collateral to the net carrying value of the loan, which may result in an allowance and corresponding loan loss charge. Loans receivable are included in other assets on the accompanying consolidated balance sheets.

Intangible Assets

A portion of the purchase price of acquired properties is allocated to the value of in-place leases for both student and commercial tenants, which is based on the difference between (i) the property valued with existing in-place leases adjusted to market rental rates and (ii) the property valued "as-if" vacant. As lease terms for student leases are typically one year or less, rates on in-place leases generally approximate market rental rates. Factors considered in the valuation of in-place leases include an estimate of the carrying costs during the expected lease-up period considering current market conditions, nature of the tenancy, and costs to execute similar leases. Carrying costs include estimates of lost rentals at market rates during the expected lease-up period, as well as marketing and other operating expenses. The value of in-place leases is amortized over the remaining initial term of the respective leases. The purchase price of property acquisitions is not expected to be allocated to student tenant relationships, considering the terms of the leases and the expected levels of renewals.

Amortization expense related to in-place leases was approximately $2.1 million and $1.4 million for the three months ended September 30, 2013 and 2012, respectively, and $13.0 million and $3.5 million for the nine months ended September 30, 2013 and 2012, respectively. Accumulated amortization at September 30, 2013 and December 31, 2012 was approximately $24.8 million and $12.4 million, respectively. Intangible assets, net of amortization, are included in other assets on the accompanying consolidated balance sheets and the amortization of intangible assets is included in depreciation and amortization expense in the accompanying consolidated statements of comprehensive income.

Mortgage Debt - Premiums and Discounts

Mortgage debt premiums and discounts represent fair value adjustments to account for the difference between the stated rates and market rates of mortgage debt assumed in connection with the Company’s property acquisitions. The mortgage debt premiums and discounts are amortized to interest expense over the term of the related mortgage loans using the effective-interest method. The amortization of mortgage debt premiums and discounts resulted in a net decrease to interest expense of approximately $3.4 million and $0.6 million for the three months ended September 30, 2013 and 2012, respectively, and $10.6 million and $1.2 million for the nine months ended September 30, 2013 and 2012, respectively. Mortgage debt premiums and discounts are included in secured mortgage, construction and bond debt on the accompanying consolidated balance sheets and amortization of mortgage debt premiums and discounts is included in interest expense on the accompanying consolidated statements of comprehensive income.

Unsecured Notes - Original Issue Discount

In April 2013, the Company issued $400 million of senior unsecured notes at 99.659 percent of par value (see Note 8) and recorded an original issue discount of approximately $1.4 million. The original issue discount is amortized to interest expense over the term of the unsecured notes using the effective-interest method. The unamortized original issue discount was approximately $1.3 million as of September 30, 2013 and is included in unsecured notes on the accompanying consolidated balance sheets and amortization of the original issue discount of $28,000 and $56,000 for the three and nine months ended September 30, 2013, respectively, is included in interest expense on the accompanying consolidated statements of comprehensive income.

Pre-development Expenditures

Pre-development expenditures such as architectural fees, permits and deposits associated with the pursuit of third-party and owned development projects are expensed as incurred, until such time that management believes it is probable that the contract will be executed and/or construction will commence. Because the Company frequently incurs these pre-development expenditures before a financing commitment and/or required permits and authorizations have been obtained, the Company bears the risk of loss of these pre-development expenditures if financing cannot ultimately be arranged on acceptable terms or the Company is unable to successfully obtain the required permits and authorizations. As such, management evaluates the status of third-party and owned projects that have not yet commenced construction on a periodic basis and expenses any deferred costs related to projects whose current status indicates the commencement of construction is unlikely and/or the costs may not provide future value to the Company in the form of revenues. Such write-offs are included in third-party development and management services expenses (in the case of third-party development projects) or general and administrative expenses (in the case of owned development projects) on the accompanying consolidated statements of comprehensive income. As of September 30, 2013, the Company has deferred approximately $2.4 million in pre-development costs related to third-party and owned development projects that have not yet commenced construction. Such costs are included in other assets on the accompanying consolidated balance sheets.

Earnings per Share – Company

Basic earnings per share is computed using net income attributable to common shareholders and the weighted average number of shares of the Company’s common stock outstanding during the period. Diluted earnings per share reflect common shares issuable from the assumed conversion of OP Units and common share awards granted. Only those items having a dilutive impact on basic earnings per share are included in diluted earnings per share.

The following potentially dilutive securities were outstanding for the three and nine months ended September 30, 2013 and 2012, but were not included in the computation of diluted earnings per share because the effects of their inclusion would be anti-dilutive.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Common OP Units (Note 10)	1,138,356	899,336	1,134,855	887,478
Preferred OP Units (Note 10)	114,014	114,128	114,090	114,128
Restricted Stock Awards (Note 11)	606,024	581,627	—	—
Total potentially dilutive securities	1,858,394	1,595,091	1,248,945	1,001,606

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The following is a summary of the elements used in calculating basic and diluted earnings per share:

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Numerator – basic and diluted earnings per share:				
(Loss) income from continuing operations	$(5,366)	$(843)	$20,675	$27,689
Income from continuing operations attributable to noncontrolling interests	(30)	(374)	(1,380)	(1,762)
(Loss) income from continuing operations attributable to common shareholders	(5,396)	(1,217)	19,295	25,927
Amount allocated to participating securities	(218)	(196)	(710)	(652)
(Loss) income from continuing operations attributable to common shareholders, net of amount allocated to participating securities	(5,614)	(1,413)	18,585	25,275
Income from discontinued operations	53,198	1,865	58,204	7,145
Income from discontinued operations attributable to noncontrolling interests	(626)	(21)	(684)	(91)
Income from discontinued operations attributable to common shareholders	52,572	1,844	57,520	7,054
Net income attributable to common shareholders	$46,958	$431	$76,105	$32,329
Denominator:				
Basic weighted average common shares outstanding	104,781,431	89,169,868	104,752,982	79,404,323
Restricted Stock Awards (Note 11)	—	—	628,071	605,140
Diluted weighted average common shares outstanding	104,781,431	89,169,868	105,381,053	80,009,463
Earnings per share – basic:				
(Loss) income from continuing operations attributable to common shareholders, net of amount allocated to participating securities	$(0.05)	$(0.02)	$0.18	$0.32
Income from discontinued operations attributable to common shareholders	$0.50	$0.02	$0.55	$0.09
Net income attributable to common shareholders	$0.45	$—	$0.73	$0.41
Earnings per share – diluted:				
(Loss) income from continuing operations attributable to common shareholders, net of amount allocated to participating securities	$(0.05)	$(0.02)	$0.18	$0.31
Income from discontinued operations attributable to common shareholders	$0.50	$0.02	$0.54	$0.09
Net income attributable to common shareholders	$0.45	$—	$0.72	$0.40

Earnings per Unit – Operating Partnership

Basic earnings per OP Unit is computed using net income attributable to common unitholders and the weighted average number of common units outstanding during the period. Diluted earnings per OP Unit reflects the potential dilution that could occur if securities or other contracts to issue OP Units were exercised or converted into OP Units or resulted in the issuance of OP Units and then shared in the earnings of the Operating Partnership.

The following potentially dilutive securities were outstanding for the three months ended September 30, 2013 and 2012, but were not included in the computation of diluted earnings per unit because the effects of their inclusion would be anti-dilutive.

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Restricted Stock Awards (Note 11)	606,024	581,627	—	—
Total potentially dilutive securities	606,024	581,627	—	—

The following is a summary of the elements used in calculating basic and diluted earnings per unit:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Numerator – basic and diluted earnings per unit:				
(Loss) income from continuing operations	$(5,366)	$(843)	$20,675	$27,689
Income from continuing operations attributable to noncontrolling interests – partially owned properties	(83)	(329)	(1,078)	(1,312)
Loss (income) from continuing operations attributable to Series A preferred units	11	(44)	(76)	(127)
Amount allocated to participating securities	(218)	(196)	(710)	(652)
(Loss) income from continuing operations attributable to common unitholders, net of amount allocated to participating securities	(5,656)	(1,412)	18,811	25,598
Income from discontinued operations	53,198	1,865	58,204	7,145
Income from discontinued operations attributable to Series A preferred units	(57)	(2)	(61)	(10)
Income from discontinued operations attributable to common unitholders	53,141	1,863	58,143	7,135
Net income attributable to common unitholders	$47,485	$451	$76,954	$32,733
Denominator:				
Basic weighted average common units outstanding	105,919,787	90,069,204	105,887,837	80,291,801
Restricted Stock Awards (Note 11)	—	—	628,071	605,140
Diluted weighted average common units outstanding	105,919,787	90,069,204	106,515,908	80,896,941
Earnings per unit - basic:				
(Loss) income from continuing operations attributable to common unitholders, net of amount allocated to participating securities	$(0.05)	$(0.02)	$0.18	$0.32
Income from discontinued operations attributable to common unitholders	$0.50	$0.02	$0.55	$0.09
Net income attributable to common unitholders	$0.45	$—	$0.73	$0.41
Earnings per unit - diluted:				
(Loss) income from continuing operations attributable to common unitholders, net of amount allocated to participating securities	$(0.05)	$(0.02)	$0.18	$0.31
Income from discontinued operations attributable to common unitholders	$0.50	$0.02	$0.54	$0.09

Net income attributable to common unitholders	$0.45	$—	$0.72	$0.40

3. Property Acquisitions

The Company previously provided mezzanine financing of $2.0 million to a private developer and was obligated to purchase a 152-unit, 608-bed property (Townhomes at Newtown Crossing) once construction was completed and certain closing conditions were met. The property opened for operations in August 2013, and the Company acquired Townhomes at Newtown Crossing on September 26, 2013 for a purchase price of $38.8 million, at which time the Company's mezzanine investment along with accrued but unpaid interest was credited to the Company. As part of the transaction, the Company issued 97,143 common OP units to the seller, valued at $35.53 per unit and the Company did not assume any property-level debt. Townhomes at Newtown Crossing is located in Lexington, Kentucky near the University of Kentucky campus.

On August 20, 2013, the Company acquired The Plaza Apartments, a 289-unit, 359-bed wholly-owned property located near the campus of Florida State University, for a purchase price of $10.4 million. The Company will operate the property until the current leases are vacated, which will be no later than July 31, 2014. Once the property is vacated, it will be demolished and developed into a 496-bed community scheduled to open for occupancy in August 2015. The Company did not assume any property-level debt as part of this transaction.

On July 31, 2013, the Company acquired a 366-bed additional phase at an existing property, The Lodges of East Lansing, for a purchase price of $32.3 million. Concurrent with the purchase of the Kayne Anderson Portfolio on November 30, 2012, the Company entered into a purchase and sale agreement whereby the Company was obligated to purchase this additional phase as long as the developer met certain construction completion deadlines and other completion deadlines. This additional phase opened for operations in August 2013 and serves students attending Michigan State University. The Company deposited $8.3 million towards the purchase price of this additional phase on November 30, 2012 and the remaining $24.0 million was paid at closing. The Company did not assume any property-level debt as part of this transaction.

On July 25, 2013, the Company acquired 7th Street Station, an 82-unit, 309-bed wholly-owned property located near the campus of Oregon State University, for a purchase price of $26.5 million, which excludes approximately $0.5 million of anticipated transaction costs, initial integration expenses and capital expenditures necessary to bring this property up to the Company’s operating standards. The Company did not assume any property-level debt as part of this transaction.

The acquired property’s results of operations have been included in the accompanying consolidated statements of comprehensive income since their respective acquisition closing dates, with the exception of properties subject to pre-sale/mezzanine investment agreements. As a result of applying accounting guidance related to variable interest entities ("VIEs"), we include properties subject to pre-sale/mezzanine investment agreements in our consolidated financial statements during the construction period. As a result, Townhomes at Newtown Crossing’s results of operations have been included in the accompanying consolidated statements of comprehensive income from the date of project completion in August 2013 through the acquisition date in September 2013. The following pro forma information for the three and nine months ended September 30, 2013 and 2012, presents consolidated financial information for the Company as if the property acquisitions discussed above had occurred at the beginning of the earliest period presented. The unaudited pro forma information is provided for informational purposes only and is not indicative of results that would have occurred or which may occur in the future:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Total revenues	$159,859	$113,484	$479,332	$319,972
Net income attributable to common Shareholders	$47,574	$589	$77,582	$32,871
Net income per share attributable to common shareholders, as adjusted - basic	$0.45	$—	$0.73	$0.41
Net income per share attributable to common shareholders, as adjusted - diluted	$0.45	$—	$0.73	$0.40

4. Property Dispositions and Discontinued Operations

The following two owned off-campus properties were classified as Held for Sale on the accompanying consolidated balance sheet as of September 30, 2013:

Property	Location	Primary University Served	Units	Beds
University Mills	Cedar Falls, IA	University of Northern Iowa	121	481
Campus Ridge [1]	Johnson City, TN	University of Tennessee	132	528

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(1) Property was sold in October 2013 (see Note 16).

Concurrent with this classification, these properties were recorded at the lower of cost or fair value less estimated selling costs. The net income attributable to these properties is included in discontinued operations on the accompanying consolidated statements of comprehensive income for all periods presented.

In July 2013, the following four owned off-campus properties were sold for a combined sales price of $157.4 million resulting in proceeds of approximately $155.2 million. The resulting gain on disposition of approximately $52.8 million is included in discontinued operations on the accompanying consolidated statements of comprehensive income for the three and nine months ended September 30, 2013.

Property	Location	Primary University Served	Units	Beds
The Village at Blacksburg	Blacksburg, VA	Virginia Tech University	288	1,056
State College Park	State College, PA	Penn State University	196	752
University Pines	Statesboro, GA	Georgia Southern University	144	552
Northgate Lakes [1]	Orlando, FL	The University of Central Florida	194	710

(1) This property was included in the 9-property Collateral Pool which secures our agency facility (see Note 8). As a result, concurrent with the sale of this property, $15.5 million of the secured agency facility's outstanding balance was paid down.

In 2012, the Company sold three owned off-campus properties, located in Wilmington, North Carolina (Brookstone Village and Campus Walk) and Greenville, North Carolina (Pirates Cove) containing 1,584 beds for a combined sales price of approximately $54.1 million. The net income attributable to these properties is included in discontinued operations on the accompanying consolidated statements of comprehensive income for the three and nine months ended September 30, 2012.

The properties discussed above are included in the wholly-owned properties segment (see Note 15). Below is a summary of the results of operations for the properties discussed above:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Total revenues	$1,762	$7,039	$13,418	$21,734
Total operating expenses	(1,140)	(3,360)	(5,785)	(9,261)
Depreciation and amortization	(131)	(1,361)	(1,686)	(4,052)
Operating income	491	2,318	5,947	8,421
Total nonoperating expenses	(124)	(453)	(574)	(1,359)
Net income	$367	$1,865	$5,373	$7,062

5. Investments in Wholly-Owned Properties

Wholly-owned properties consisted of the following:

	September 30, 2013	December 31, 2012
Land [1] [2]	$563,467	$550,274
Buildings and improvements	4,596,433	4,351,239

Furniture, fixtures and equipment (2)	258,707	227,409
Construction in progress (2)	70,483	138,923
	5,489,090	5,267,845
Less accumulated depreciation	(485,917)	(396,469)
Wholly-owned properties, net (3)	$5,003,173	$4,871,376

(1) The land balance above includes undeveloped land parcels with book values of approximately $34.6 million and $30.7 million as of September 30, 2013 and December 31, 2012, respectively. Also includes land totaling approximately $31.1

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million and $41.6 million as of September 30, 2013 and December 31, 2012, respectively, related to properties under development.

(2) Land, furniture, fixtures and equipment and construction in progress as of September 30, 2013 include $3.4 million, $0.4 million and $2.3 million, respectively, related to the University Walk property located in Knoxville, Tennessee, that will serve students attending the University of Tennessee. In July 2013, the Company entered into a purchase and contribution agreement with a private developer whereby the Company is obligated to purchase the property as long as the developer meets certain construction completion deadlines and other closing conditions. The development of the property is anticipated to be completed in August 2014. The entity that owns University Walk is deemed to be a variable interest entity (“VIE”), and the Company is determined to be the primary beneficiary of the VIE. As such, the assets and liabilities of the entity owning the property are included in the Company’s and the Operating Partnership’s consolidated financial statements.

(3) The balances above exclude the net book value of two properties, University Mills and Campus Ridge which are classified as wholly-owned properties Held for Sale in the accompanying consolidated balance sheet as of September 30, 2013.

6. On-Campus Participating Properties

On-campus participating properties are as follows:

Lessor/University	Lease Commencement	Required Debt Repayment [1]	Historical Cost September 30, 2013	Historical Cost December 31, 2012
Texas A&M University System / Prairie View A&M University [2]	2/1/1996	9/1/2023	$42,211	$41,485
Texas A&M University System / Texas A&M International	2/1/1996	9/1/2023	6,701	6,651
Texas A&M University System / Prairie View A&M University [3]	10/1/1999	8/31/2025 8/31/2028	26,172	25,766
University of Houston System / University of Houston [4]	9/27/2000	8/31/2035	36,077	35,936
West Virginia University Project / West Virginia University [5]	7/16/2013	7/16/2045	7,045	—
			118,206	109,838
Less accumulated amortization			(56,044)	(52,492)
On-campus participating properties, net			$62,162	$57,346

(1) Represents the effective lease termination date. The Leases terminate upon the earlier to occur of the final repayment of the related debt or the end of the contractual lease term.

(2) Consists of three phases placed in service between 1996 and 1998.

(3) Consists of two phases placed in service in 2000 and 2003.

(4) Consists of two phases placed in service in 2001 and 2005.

(5) In July 2013, the Company entered into long-term ground and facility leases with the University to finance, construct and manage this on-campus participating property. Under the terms of the leases, title to the constructed facility will be held by the University/lessor and the University will receive 50% of defined net cash flows on an annual basis through the term of the leases. Due to our involvement in the construction of the facility, any fees paid to the Company/lessee for development and construction management services during the construction period are deferred and amortized to revenue over the lease term. This facility is scheduled to be placed in service in August 2014.

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7. Investments in Unconsolidated Joint Ventures

As of September 30, 2013, the Company owned a noncontrolling interest in one unconsolidated joint venture that is accounted for utilizing the equity method of accounting. The investment consists of a noncontrolling equity interest in a joint venture with the United States Navy that owns military housing privatization projects located on naval bases in Norfolk and Newport News, Virginia. In 2010, the Company discontinued applying the equity method in regards to its investment in this joint venture as a result of the Company’s share of losses exceeding its investment in the joint venture. Because the Company had not guaranteed any obligations of the investee and was not otherwise committed to provide further financial support to the investee, it therefore suspended recording its share of losses once the investment was reduced to zero. We also earn fees for providing management services to this joint venture, which totaled approximately $0.4 million for each of the three month periods ended September 30, 2013 and 2012 and $1.2 million for each of the nine month periods ended September 30, 2013 and 2012 .

8. Debt

A summary of the Company’s outstanding consolidated indebtedness, including unamortized debt premiums and discounts, is as follows:

	September 30, 2013	December 31, 2012
Debt secured by wholly-owned properties:		
Mortgage loans payable		
Unpaid principal balance	$1,216,503	$1,288,482
Unamortized debt premiums	78,370	90,091
Unamortized debt discounts	(2,405)	(3,506)
	1,292,468	1,375,067
Construction loans payable [(1)]	44,638	57,355
	1,337,106	1,432,422
Debt secured by on-campus participating properties:		
Mortgage loan payable	31,480	31,768
Bonds payable	42,440	44,915
Construction loan payable	3,917	—
	77,837	76,683
Secured agency facility	95,355	104,000
Unsecured notes, net of unamortized original issue discount	398,692	—
Unsecured revolving credit facility	175,300	258,000
Unsecured term loan	350,000	350,000
Total debt	$2,434,290	$2,221,105

(1) Construction loans payable as of December 31, 2012 includes $12.7 million related to two constructions loans that financed the development and construction of Townhomes at Newtown Crossing and The Lodges of East Lansing Phase II, VIEs that the Company included in its consolidated financial statements during the construction phase. The sellers/developers paid off their respective construction loans with proceeds from the Company's purchase of the properties in the third quarter of 2013 (see Note 3).

Unsecured Notes

In April 2013, the Operating Partnership issued $400 million in senior unsecured notes under its existing shelf registration. These 10-year notes were issued at 99.659 percent of par value with a coupon of 3.750 percent and a yield of 3.791 percent, and are fully and unconditionally guaranteed by the Company. Interest on the notes is payable semi-annually on April 15 and October 15, with the first payment beginning on October 15, 2013. The notes will mature on April 15, 2023. Net proceeds from the sale of the unsecured notes totaled approximately $394.4 million after deducting the underwriting discount and estimated offering expenses. The Company used $321.0 million of the offering proceeds to pay down the outstanding balance on its revolving credit facility in full. The terms of the unsecured notes include certain financial covenants that require the Operating Partnership to limit the amount of total debt and secured debt as a percentage of total asset value, as defined. In addition, the Operating Partnership must maintain a minimum ratio of unencumbered asset value to unsecured debt, as well as a minimum interest coverage level. As of September 30, 2013, the Company was in compliance with all such covenants.

Unsecured Credit Facility

The Company has an aggregate Credit Facility of $800 million, which is composed of a $350 million unsecured term loan and a $450 million unsecured revolving credit facility, and may be expanded by up to an additional $100 million upon the satisfaction of certain conditions. The maturity dates of the unsecured term loan and unsecured revolving credit facility are January 10, 2017 and January 10, 2016, respectively. The maturity date of the unsecured revolving credit facility can be extended for an additional 12 months to January 10, 2017, subject to the satisfaction of certain conditions.

Each loan bears interest at a variable rate, at the Company's option, based upon a base rate or one-, two-, three- or six-month LIBOR, plus, in each case, a spread based upon the Company's investment grade rating from either Moody's Investor Services, Inc. or Standard & Poor's Rating Group. The Company has entered into multiple interest rate swaps with notional amounts totaling $350 million that effectively fix the interest rate to 2.54% (0.89% +1.65% spread) on the outstanding balance of the unsecured term loan (see Note 12 for more details).

Availability under the revolving credit facility is limited to an "aggregate borrowing base amount" equal to 60% of the value of the Company's unencumbered properties, calculated as set forth in the Credit Facility. Additionally, the Company is required to pay a facility fee of 0.30% per annum on the $450 million revolving credit facility. As of September 30, 2013, the revolving credit facility bore interest at a weighted average annual rate of 1.93% (inclusive of the facility fee discussed above), and availability under the revolving credit facility totaled $274.7 million.

The terms of the Credit Facility include certain restrictions and covenants, which limit, among other items, the incurrence of additional indebtedness, liens, and the disposition of assets. The facility contains customary affirmative and negative covenants and also contains financial covenants that, among other things, require the Company to maintain certain minimum ratios of "EBITDA" (earnings before interest, taxes, depreciation and amortization) to fixed charges and total indebtedness. The Company may not pay distributions that exceed a specified percentage of funds from operations, as adjusted, for any four consecutive quarters. The financial covenants also include consolidated net worth and leverage ratio tests. As of September 30, 2013, the Company was in compliance with all such covenants.

Secured Agency Facility

The Company has a $125 million secured revolving credit facility with a Freddie Mac lender. The facility has a 5-year term and is currently secured by 9 properties referred to as the "Collateral Pool." The facility bears interest at one- or three-month LIBOR plus a spread that varies based on the debt service ratio of the Collateral Pool. Additionally, the Company is required to pay an unused commitment fee of 1.0% per annum. As of September 30, 2013, the secured agency facility bore interest at a weighted average annual rate of 2.22%. The secured agency facility includes some, but not all, of the same financial covenants as the unsecured credit facility, described above. As of September 30, 2013, the Company was in compliance with all such covenants.

9. Stockholders' Equity / Partners' Capital

In March 2013, the Company established a new at-the-market share offering program (the "ATM Equity Program") through which the Company may issue and sell, from time to time, shares of common stock having an aggregate offering price of up to $500 million. Actual sales under the program will depend on a variety of factors, including, but not limited to, market conditions, the trading price of the Company's common stock and determinations of the appropriate sources of funding for the Company. The Company has not sold any shares under the ATM Equity Program and has $500 million available for issuance under this program as of September 30, 2013.

10. Noncontrolling Interests

Operating Partnership

Partially-owned properties: As of September 30, 2013, the Operating Partnership consolidates three joint ventures that own and operate University Village at Sweet Home, University Centre and Villas at Chestnut Ridge owned-off campus properties. The portion of net assets attributable to the third-party partners in these joint ventures is classified as "noncontrolling interests - partially owned properties" within capital on the accompanying consolidated balance sheets of the Operating Partnership. Accordingly, the third-party partners' share of the income or loss of the joint ventures is reported on the consolidated statements of comprehensive income of the Operating Partnership as "net income attributable to noncontrolling interests – partially owned properties."

In July 2013, the Company acquired the remaining 20.5% noncontrolling interest from the third-party partner in the joint venture that owns and operates The Varsity.

In July 2013, the Company entered into a purchase and contribution agreement with a private developer whereby the Company is obligated to purchase the property (University Walk) as long as the developer meets certain construction completion deadlines and other closing conditions. The development of the property is anticipated to be completed in August 2014. The entity that owns University Walk is deemed to be a variable interest entity ("VIE"), and the Company is determined to be the primary beneficiary of the VIE. As such, the assets and liabilities of the entity owning the property are included in the Company's and the Operating Partnership's consolidated financial statements. The entity is financed with an $8.8 million mezzanine loan from the Company, a $19.0 million construction loan from a third-party lender and a $1.5 million equity contribution from the developer. This contribution from the developer is reflected as noncontrolling interests - partially owned properties within capital on the accompanying consolidated balance sheet of the Operating Partnership as of September 30, 2013.

OP Units: For the portion of OP Units that the Operating Partnership is required, either by contract or securities law, to deliver registered common shares of ACC to the exchanging OP unit holder, or for which the Operating Partnership has the intent or history of exchanging such units for cash, we classify the units as "redeemable limited partners" in the mezzanine section of the consolidated balance sheets of the Operating Partnership. The units classified as such include Series A preferred units as well as common units that are not held by ACC or ACC Holdings. The value of redeemable limited partners on the consolidated balance sheets of the Operating Partnership is reported at the greater of fair value or historical cost at the end of each reporting period. Changes in the value from period to period are charged to limited partner's capital on the consolidated statement of changes in capital of the Operating Partnership. Below is a table summarizing the activity of redeemable limited partners for the nine months ended September 30, 2013:

December 31, 2012	$57,534	
Net income	986	
Distributions	(1,335	)
Redeemable limited partner units issued as consideration (see Note 3)	3,451	
Conversion of redeemable limited partner units into shares of ACC common stock	(23	)
Adjustments to reflect redeemable limited partner units at fair value	(10,823	)
September 30, 2013	$49,790	

During the nine months ended September 30, 2013, 1,500 Series A preferred units were converted into an equal number of shares of ACC's common stock and during the year ended December 31, 2012, 88,457 common OP units were converted into an equal number of shares of ACC's common stock. As of September 30, 2013 and December 31, 2012, approximately 1.3% and 1.2%, respectively, of the equity interests of the Operating Partnership were held by owners of common OP Units and Series A preferred units not held by ACC or ACC Holdings.

Company

The noncontrolling interests of the Company include the third-party equity interests in partially-owned properties, as discussed above, which are presented as a component of equity in the Company's consolidated balance sheets. The Company's noncontrolling interests also include the redeemable limited partners presented in the consolidated balance sheets of the Operating Partnership, which are referred to as "redeemable noncontrolling interests" in the mezzanine section of the Company's consolidated balance sheets. Noncontrolling interests on the Company's consolidated statements of comprehensive income include the income/loss attributable to third-party equity interests in partially-owned properties, as well as the income/loss attributable to redeemable noncontrolling interests (i.e. OP Units not held by ACC or ACC Holdings.)

11. Incentive Award Plan

Restricted Stock Units ("RSUs")

Upon reelection to the Board of Directors in May 2013, all members of the Company's Board of Directors were granted restricted stock units ("RSUs") in accordance with the American Campus Communities, Inc. 2010 Incentive Award Plan (the "Plan"). These RSUs were valued at $95,000 for the Chairman of the Board of Directors and at $71,500 for all other members. The number of RSUs was determined based on the fair market value of the Company's stock on the date of grant, as defined in the Plan. All awards vested and settled immediately on the date of grant, and the Company delivered shares of common stock and cash, as determined by the Compensation Committee of the Board of Directors. A compensation charge of approximately $0.5 million was recorded during the nine months ended September 30, 2013 related to these awards.

A summary of ACC's RSUs under the Plan as of September 30, 2013 and activity during the nine months then ended is presented below:

	Number of RSUs	
Outstanding at December 31, 2012	—	
Granted	10,265	
Settled in common shares	(4,572	)
Settled in cash	(5,693	)
Outstanding at September 30, 2013	—	

Restricted Stock Awards ("RSAs")

A summary of ACC's RSAs under the Plan as of September 30, 2013 and activity during the nine months then ended, is presented below:

	Number of RSAs	
Nonvested balance at December 31, 2012	575,668	
Granted	230,800	
Vested	(111,533	)
Forfeited	(90,189	)
Nonvested balance at September 30, 2013	604,746	

The fair value of RSA's is calculated based on the closing market value of ACC's common stock on the date of grant. The fair value of these awards is amortized to expense over the vesting periods, which amounted to approximately $1.6 million and $1.3 million for the three months ended September 30, 2013 and 2012, respectively, and $4.8 million and $3.9 million for the nine months ended September 30, 2013 and 2012, respectively.

12. Derivative Instruments and Hedging Activities

The Company is exposed to certain risk arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its debt funding and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company's known or expected cash receipts and its known or expected cash payments principally related to the Company's investments and borrowings.

Cash Flow Hedges of Interest Rate Risk

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The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in Accumulated Other Comprehensive Loss and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. No portion of designated hedges was ineffective during the nine months ended September 30, 2013 and 2012.

As discussed in Note 8, the Company has four interest rate swap contracts with notional amounts totaling $350 million to hedge the variable cash flows associated with interest payments on the LIBOR-based unsecured term loan. In addition, the Company has an interest rate swap contract with a notional amount of $31.5 million used to hedge the variable cash flows associated with the Cullen Oaks Phase I and Phase II loans.

The following table summarizes the Company's outstanding interest rate swap contracts as of September 30, 2013:

Date Entered	Effective Date	Maturity Date	Pay Fixed Rate	Receive Floating Rate Index	Notional Amount	Fair Value
Feb 12, 2007	Feb 15, 2007	Feb 15, 2014	6.689%	LIBOR – 1 mo. plus 1.35%	$31,480	$(623)
Feb 2, 2012	Feb 2, 2012	Jan 2, 2017	0.8695%	LIBOR – 1 month	125,000	(522)
Feb 2, 2012	Feb 2, 2012	Jan 2, 2017	0.88%	LIBOR – 1 month	100,000	(457)
Feb 2, 2012	Feb 2, 2012	Jan 2, 2017	0.8875%	LIBOR – 1 month	62,500	(304)
Feb 2, 2012	Feb 2, 2012	Jan 2, 2017	0.889%	LIBOR – 1 month	62,500	(304)
				Total	$381,480	$(2,210)

The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the consolidated balance sheets as of September 30, 2013 and December 31, 2012:

	Liability Derivatives		
		Fair Value as of	
Description	Balance Sheet Location	September 30, 2013	December 31, 2012
Interest rate swaps contracts	Other liabilities	$2,210	$6,661
Total derivatives designated as hedging instruments		$2,210	$6,661

13. Fair Value Disclosures

The following table presents information about the Company's financial instruments measured at fair value on a recurring basis as of September 30, 2013 and December 31, 2012, and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access. Fair values determined by Level 2 inputs utilize inputs other than quoted prices included in

Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets and inputs other than quoted prices observable for the asset or liability, such as interest rates and yield curves observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

In instances in which the inputs used to measure fair value may fall into different levels of the fair value hierarchy, the level in the fair value hierarchy within which the fair value measurement in its entirety has been determined is based on the lowest level input significant to the fair value measurement in its entirety. The Company’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

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Disclosures concerning financial instruments measured at fair value are as follows:

	Fair Value Measurements as of September 30, 2013				December 31, 2012			
	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Liabilities:								
Derivative financial instruments	$—	$2,210	$ —	$2,210	$—	$6,661	$ —	$6,661
Mezzanine:								
Redeemable noncontrolling interests (Company)/ Redeemable limited partners (Operating Partnership)	$—	$49,790	$ —	$49,790	$—	$57,534	$ —	$57,534

The Company uses derivative financial instruments, specifically interest rate swaps, for nontrading purposes. The Company uses interest rate swaps to manage interest rate risk arising from previously unhedged interest payments associated with variable rate debt. Through September 30, 2013, derivative financial instruments were designated and qualified as cash flow hedges. Derivative contracts with positive net fair values inclusive of net accrued interest receipts or payments are recorded in other assets. Derivative contracts with negative net fair values, inclusive of net accrued interest payments or receipts, are recorded in other liabilities. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves.

The Company incorporates credit valuation adjustments to appropriately reflect its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds and guarantees.

Although the Company has determined the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by the Company and its counterparty. However, as of September 30, 2013 and December 31, 2012, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of the Company's derivative financial instruments. As a result, the Company has determined each of its derivative valuations in its entirety is classified in Level 2 of the fair value hierarchy.

Redeemable noncontrolling interests in the Operating Partnership have a redemption feature and are marked to their redemption value. The redemption value is based on the fair value of the Company's common stock at the redemption date, and therefore, is calculated based on the fair value of the Company's common stock at the balance sheet date. Since the valuation is based on observable inputs such as quoted prices for similar instruments in active markets, redeemable noncontrolling interests in the Operating Partnership are classified in Level 2 of the fair value hierarchy.

Other Fair Value Disclosures

Cash and Cash Equivalents, Restricted Cash, Student Contracts Receivable, Mezzanine Loans Receivable, Other Assets, Accounts Payable and Accrued Expenses and Other Liabilities: The Company estimates that the carrying amount approximates fair value, due to the short maturity of these instruments.

Derivative Instruments: These instruments are reported on the balance sheet at fair value, which is based on calculations provided by independent, third-party financial institutions and represent the discounted future cash flows expected, based on the projected future interest rate curves over the life of the instrument.

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Secured Agency Facility, Unsecured Term Loan, Unsecured Revolving Credit Facility and Construction Loans: The fair value of these instruments approximates carrying values due to the variable interest rate feature of these instruments.

Loans Receivable: In April 2013, the Company acquired a protective advance note and outstanding bond insurer claim (collectively "loans receivable"). See Note 14 herein for additional details regarding this transaction. The fair value of loans receivable is based on a discounted cash flow analysis consisting of scheduled cash flows and discount rate estimates to approximate those that a willing buyer and seller might use. These financial instruments utilize Level 3 inputs.

Unsecured Notes: In calculating the fair value of unsecured notes, interest rate and spread assumptions reflect current creditworthiness and market conditions available for the issuance of unsecured notes with similar terms and remaining maturities. These financial instruments utilize Level 2 inputs.

Mortgage Loans Payable: The fair value of mortgage loans payable is based on the present value of the cash flows at current market interest rates through maturity. The Company has concluded the fair value of these financial instruments are Level 2 as the majority of the inputs used to value these instruments fall within Level 2 of the fair value hierarchy.

Bonds Payable: The fair value of bonds payable is based on quoted prices in markets that are not active due to the unique characteristics of these financial instruments, as such, the Company has concluded the inputs used to measure fair value fall within Level 2 of the fair value hierarchy.

The table below contains the estimated fair value and related carrying amounts for the Company's financial instruments as of September 30, 2013 and December 31, 2012:

	September 30, 2013		December 31, 2012	
	Estimated Fair Value	Carrying Amount	Estimated Fair Value	Carrying Amount
Assets:				
Loans receivable	$49,154	$50,438	$—	$—
Liabilities:				
Unsecured notes	$381,827	$398,692	$—	$—
Mortgage loans	1,322,320	1,323,948	1,437,851	1,406,835
Bonds payable	44,964	42,440	52,778	44,915

14. Commitments and Contingencies

Commitments

Development-related guarantees: For its third-party development projects, the Company commonly provides alternate housing and project cost guarantees, subject to force majeure. These guarantees are typically limited, on an aggregate basis, to the amount of the projects' related development fees or a contractually agreed-upon maximum exposure amount. Alternate housing guarantees typically expire five days after construction is complete and generally require the Company to provide substitute living quarters and transportation for students to and from the university if the project is not complete by an agreed-upon completion date. Under project cost guarantees, the Company is responsible for the construction cost of a project in excess of an approved budget. The budget consists primarily of costs included in the general contractors' guaranteed maximum price contract ("GMP"). In most cases, the GMP obligates the general contractor, subject to force majeure and approved change orders, to provide completion date guarantees and to cover cost overruns and liquidated damages. In addition, the GMP is typically secured with payment and performance bonds. Project cost guarantees expire upon completion of certain developer obligations, which are normally satisfied within one year after completion of the project.

In the normal course of business, the Company enters into various development-related purchase commitments with parties that provide development-related goods and services. In the event that the Company was to terminate development services prior to the completion of projects under construction, the Company could potentially be committed to satisfy outstanding purchase orders with such parties. At September 30, 2013, management did not anticipate any material deviations from schedule or budget related to third-party development projects currently in progress.

The Company has estimated the fair value of guarantees entered into to be immaterial. The Company’s estimated maximum exposure amount under the above guarantees is approximately $2.6 million as of September 30, 2013.

Contingencies

Litigation: The Company is subject to various claims, lawsuits and legal proceedings, including the matter discussed below as well as other matters that have not been fully resolved and that have arisen in the ordinary course of business. While it is not possible to ascertain the ultimate outcome of such matters, management believes that the aggregate amount of such liabilities, if any, in excess of amounts provided or covered by insurance, will not have a material adverse effect on the consolidated financial position or results of operations of the Company. However, the outcome of claims, lawsuits and legal proceedings brought against the Company is subject to significant uncertainty. Therefore, although management considers the likelihood of such an outcome to be remote, the ultimate results of these matters cannot be predicted with certainty.

The Company and three of its subsidiaries were parties to a lawsuit brought by National Public Finance Guaranty Corporation, as assignee of the claims of CaPFA Capital Corp. 2000F (“CaPFA”), in May 2010 in the Orange County Florida, Complex Business Division, relating to a student housing property located near the University of Central Florida (“UCF”) in Orlando, Florida. The property was managed by a subsidiary of GMH Communities Trust (“GMH”, which subsidiary was indirectly acquired by the Company as part of the acquisition of GMH in June 2008) pursuant to a property management agreement between such subsidiary and CaPFA. The suit alleged, among other things, a breach of such management agreement, breach of contract implied in fact and breach of fiduciary obligations by the Company and such subsidiaries. The complaint sought unspecified compensatory damages, including lost profits and attorneys’ fees.

The litigation was settled and dismissed on April 22, 2013. Pursuant to the terms of the settlement agreement, the Company acquired a protective advance note and outstanding bond insurer claim (collectively, “loans receivable”) from National Public Finance Guarantee Corporation for an aggregate of approximately $52.8 million. The loans receivable are secured by a lien on, and the cash flows from, two student housing properties in close proximity to the University of Central Florida and carry an interest rate of 5.12%. In connection with our purchase of these loans receivable, the Company recorded a purchase discount of approximately $3.6 million to reflect the difference between the face value of the loans receivable and the present value of the cash flows anticipated to be received under the loans receivable, based on management’s estimate of market interest rates in place as of the settlement date. Concurrent with recording this $3.6 million purchase discount, the Company recognized litigation settlement costs of $2.8 million in excess of amounts provided by insurance.

Letters of Intent: In the ordinary course of the Company’s business, the Company enters into letters of intent indicating a willingness to negotiate for acquisitions, dispositions, joint ventures, or other investment transactions. Such letters of intent are non-binding, and neither party to the letter of intent is obligated to pursue negotiations unless and until a definitive contract is entered into by the parties. Even if definitive contracts are entered into, the letters of intent relating to the acquisition and disposition of real property and resulting contracts generally contemplate that such contracts will provide the acquirer with time to evaluate the property and conduct due diligence, during which periods the acquirer will have the ability to terminate the contracts without penalty or forfeiture of any deposit or earnest money. There can be no assurance that definitive contracts will be entered into with respect to any matter covered by letters of intent or that the Company will consummate any transaction contemplated by any definitive contract. Furthermore, due diligence periods for real property are frequently extended as needed. Once the due diligence period expires, the Company is then at risk under a real property acquisition contract, but only to the extent of any earnest money deposits associated with the contract.

Environmental Matters: The Company is not aware of any environmental liability with respect to the properties that would have a material adverse effect on the Company's business, assets or results of operations. However, there can be no assurance that such a material environmental liability does not exist. The existence of any such material environmental liability could have an adverse effect on the Company's results of operations and cash flows.

15. Segments

The Company defines business segments by their distinct customer base and service provided. The Company has identified four reportable segments: Wholly-Owned Properties, On-Campus Participating Properties, Development Services, and Property Management Services. Management evaluates each segment's performance based on operating income before depreciation, amortization, minority interests and allocation of corporate overhead. Intercompany fees are reflected at the contractually stipulated amounts.

AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES
AMERICAN CAMPUS COMMUNITIES OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Wholly-Owned Properties				
Rental revenues	$151,551	$104,516	$451,691	$287,914
Interest and other income	14	7	36	31
Total revenues from external customers	151,565	104,523	451,727	287,945
Operating expenses before depreciation, amortization, ground/facility lease and allocation of corporate overhead	(88,353)	(58,348)	(225,392)	(142,222)
Ground/facility leases	(759)	(564)	(2,063)	(1,259)
Interest expense	(11,062)	(8,224)	(33,936)	(22,549)
Operating income before depreciation, amortization, and allocation of corporate overhead	$51,391	$37,387	$190,336	$121,915
Depreciation and amortization	$43,577	$25,633	$133,465	$68,785
Capital expenditures	$96,770	$99,049	$271,623	$285,809
Total segment assets at September 30,	$5,133,137	$4,053,250	$5,133,137	$4,053,250
On-Campus Participating Properties				
Rental revenues	$5,066	$5,087	$17,871	$17,766
Interest and other income	8	4	12	12
Total revenues from external customers	5,074	5,091	17,883	17,778
Operating expenses before depreciation, amortization, ground/facility lease and allocation of corporate overhead	(2,850)	(2,856)	(7,915)	(7,763)
Ground/facility lease	(627)	(529)	(1,686)	(1,602)
Interest expense	(1,365)	(1,419)	(4,120)	(4,276)
Operating income before depreciation, amortization and allocation of corporate overhead	$232	$287	$4,162	$4,137
Depreciation and amortization	$1,197	$1,167	$3,553	$3,481
Capital expenditures	$7,660	$948	$8,368	$1,710
Total segment assets at September 30,	$77,250	$74,245	$77,250	$74,245
Development Services				
Development and construction management fees	$622	$1,467	$1,656	$7,427
Operating expenses	(3,159)	(2,767)	(8,541)	(7,867)
Operating loss before depreciation, amortization and allocation of corporate overhead	$(2,537)	$(1,300)	$(6,885)	$(440)
Total segment assets at September 30,	$5,113	$4,340	$5,113	$4,340
Property Management Services				
	$1,792	$1,687	$5,425	$5,083

Property management fees from external customers				
Intersegment revenues	5,293	4,049	15,879	11,657
Total revenues	7,085	5,736	21,304	16,740
Operating expenses	(2,413)	(2,360)	(7,534)	(7,494)
Operating income before depreciation, amortization and allocation of corporate overhead	$4,672	$3,376	$13,770	$9,246
Total segment assets at September 30,	$6,960	$4,688	$6,960	$4,688
Reconciliations				
Total segment revenues	$164,346	$116,817	$492,570	$329,890
Unallocated interest income earned on corporate cash	770	417	2,117	1,312
Elimination of intersegment revenues	(5,293)	(4,049)	(15,879)	(11,657)
Total consolidated revenues, including interest income	$159,823	$113,185	$478,808	$319,545
Segment operating income before depreciation, amortization and allocation of corporate overhead	$53,758	$39,750	$201,383	$134,858
Depreciation and amortization	(46,661)	(28,225)	(142,516)	(76,367)
Net unallocated expenses relating to corporate overhead	(12,342)	(12,323)	(34,761)	(30,767)
Income from unconsolidated joint ventures	—	—	—	444
Other nonoperating income (expense)	134	136		