AMERICAN CAMPUS COMMUNITIES INC
Form 10-Q
November 08, 2010

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

FORM 10-Q

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

For the quarterly period ended September 30, 2010

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.
(Exact name of registrant as specified in its charter)

Maryland (State or Other Jurisdiction of Incorporation or Organization)	76-0753089 (IRS Employer Identification No.)
805 Las Cimas Parkway, Suite 400 Austin, TX (Address of Principal Executive Offices)	78746 (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. 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).
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.

Large accelerated filer x	Accelerated Filer o
Non-accelerated filer o (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)
Yes o No x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

There were 66,764,589 shares of 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 29, 2010.

FORM 10-Q
FOR THE QUARTER ENDED September 30, 2010

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AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	September 30, 2010 (unaudited)	December 31, 2009
Assets		
Investments in real estate:		
Wholly-owned properties, net	$ 2,302,479	$ 2,014,970
On-campus participating properties, net	63,292	65,690
Investments in real estate, net	2,365,771	2,080,660
Cash and cash equivalents	203,665	66,093
Restricted cash	26,750	29,899
Student contracts receivable, net	9,764	5,381
Other assets	54,602	52,948
Total assets	$ 2,660,552	$ 2,234,981
Liabilities and equity		
Liabilities:		
Secured mortgage, construction and bond debt	$ 1,099,047	$ 1,029,455
Senior secured term loan	100,000	100,000
Secured agency facility	101,000	94,000
Accounts payable and accrued expenses	34,224	26,543
Other liabilities	66,493	45,487
Total liabilities	1,400,764	1,295,485
Redeemable noncontrolling interests	36,765	36,722
Equity:		
American Campus Communities, Inc. stockholders' equity:		
Common stock, $.01 par value, 800,000,000 shares authorized, 66,764,589 and 52,203,893 shares issued and outstanding at September 30, 2010 and December 31, 2009, respectively	666	521
Additional paid in capital	1,465,500	1,092,030
Accumulated earnings and dividends	(240,402)	(189,165)
Accumulated other comprehensive loss	(6,543)	(4,356)
Total American Campus Communities, Inc. stockholders' equity	1,219,221	899,030
Noncontrolling interests	3,802	3,744
Total equity	1,223,023	902,774
Total liabilities and equity	$ 2,660,552	$ 2,234,981

See accompanying notes to consolidated financial statements.

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AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited, in thousands, except share and per share data)

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Revenues				
Wholly-owned properties	$75,210	$67,713	$214,951	$197,201
On-campus participating properties	4,654	4,433	16,107	15,229
Third party development services	6,056	1,760	8,258	3,698
Third party management services	2,274	2,229	6,609	6,576
Resident services	437	288	931	733
Total revenues	88,631	76,423	246,856	223,437
Operating expenses				
Wholly-owned properties	41,661	37,633	105,425	99,917
On-campus participating properties	2,857	2,690	7,876	7,503
Third party development and management services	2,754	2,842	8,649	8,629
General and administrative	3,716	2,667	9,085	8,244
Depreciation and amortization	19,980	17,977	55,263	56,900
Ground/facility leases	888	474	2,212	1,478
Total operating expenses	71,856	64,283	188,510	182,671
Operating income	16,775	12,140	58,346	40,766
Nonoperating income and (expenses)				
Interest income	42	20	75	99
Interest expense	(15,242)	(15,154)	(45,504)	(45,235)
Amortization of deferred financing costs	(1,238)	(834)	(3,295)	(2,393)
Loss from unconsolidated joint ventures	(9)	(907)	(2,134)	(1,944)
Other nonoperating income	3,901	-	3,901	402
Total nonoperating income and (expenses)	(12,546)	(16,875)	(46,957)	(49,071)
Income (loss) before income taxes and discontinued operations	4,229	(4,735)	11,389	(8,305)
Income tax provision	(143)	(135)	(428)	(405)
Income (loss) from continuing operations	4,086	(4,870)	10,961	(8,710)
Discontinued operations:				
Loss attributable to discontinued operations	-	(877)	(4,288)	(1,825)
Loss from disposition of real estate	-	-	(3,705)	-
Total discontinued operations	-	(877)	(7,993)	(1,825)
Net income (loss)	4,086	(5,747)	2,968	(10,535)
Net income attributable to noncontrolling interests	(181)	(57)	(484)	(302)

Net income (loss) attributable to common shareholders	$3,905	$(5,804)	$2,484	$(10,837)
Net income (loss) per share attributable to common shareholders - basic and diluted:				
Income (loss) from continuing operations per share	$0.06	$(0.11)	$0.18	$(0.20)
Net income (loss) per share	$0.06	$(0.11)	$0.03	$(0.24)
Weighted-average common shares outstanding:				
Basic	59,165,472	52,195,869	54,604,300	47,526,198
Diluted	60,794,968	52,195,869	56,295,937	47,526,198
Distributions declared per common share	$0.3375	$0.3375	$1.0125	$1.0125

See accompanying notes to consolidated financial statements.

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	Total
Equity, December 31, 2009	52,203,893	$521	$1,092,030	$(189,165)	$(4,356)	$3,744	$902,774
Net proceeds from sale of common stock	14,371,100	144	372,884	-	-	-	373,028
Amortization of restricted stock awards	-	-	2,701	-	-	-	2,701
Vesting of restricted stock awards	90,525	-	(917)	-	-	-	(917)
Distributions to common and restricted stockholders	-	-	-	(53,721)	-	-	(53,721)
Distributions to joint venture partners	-	-	-	-	-	(266)	(266)
Conversion of common units to common stock	99,071	1	1,940	-	-	-	1,941
Reclassification of redeemable noncontrolling interests	-	-	(3,138)	-	-	-	(3,138)
Comprehensive income:							
Change in fair value of interest rate swaps	-	-	-	-	(2,187)	-	(2,187)
Net income	-	-	-	2,484	-	324	2,808
Total comprehensive income	-	-	-	-	-	-	621
Equity, September 30, 2010	66,764,589	$666	$1,465,500	$(240,402)	$(6,543)	$3,802	$1,223,023

See accompanying notes to consolidated financial statements.

AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Operating activities		
Net income (loss) attributable to common shareholders	$2,484	$(10,837)
Adjustments to reconcile net income (loss) attributable to common shareholders to net cash provided by operating activities:		
Income attributable to noncontrolling interests	484	302
Loss from disposition of real estate	3,705	-
Non-cash gain on remeasurement of equity method investment	(3,901)	-
Provision for asset impairment	4,036	-
Depreciation and amortization	55,596	59,132
Amortization of deferred financing costs and debt premiums/discounts	2,919	2,322
Share-based compensation	2,834	2,078
Loss from unconsolidated joint ventures	2,134	1,944
Income tax provision	428	405
Changes in operating assets and liabilities:		
Restricted cash	5,019	3,455
Student contracts receivable, net	(3,639)	(1,873)
Other assets	(3,780)	(1,072)
Accounts payable and accrued expenses	3,420	(4,479)
Other liabilities	8,719	2,533
Distributions received from unconsolidated joint ventures	180	-
Net cash provided by operating activities	80,638	53,910
Investing activities		
Net proceeds from disposition of real estate	2,115	-
Cash paid for property acquisitions	(103,429)	-
Cash paid for land acquisitions	(8,511)	(3,167)
Investments in wholly-owned properties	(34,785)	(99,893)
Investments in on-campus participating properties	(855)	(645)
Investment in unconsolidated joint venture	(446)	(255)
Purchase of corporate furniture, fixtures and equipment	(925)	(1,468)
Net cash used in investing activities	(146,836)	(105,428)
Financing activities		
Proceeds from sale of common stock	388,871	207,719
Offering costs	(15,809)	(9,369)
Secured revolving credit facilities, net	7,000	79,300
Proceeds from construction loans	-	5,334
Pay-off of mortgage loans	(110,662)	(103,027)
Principal payments on debt	(8,422)	(8,898)
Change in construction accounts payable	-	(1,931)
Debt issuance and assumption costs	(1,759)	(7,751)
Distributions to common and restricted stockholders	(53,874)	(46,799)

Distributions to noncontrolling partners	(1,575)	(1,907)
Net cash provided by financing activities	203,770	112,671
Net change in cash and cash equivalents	137,572	61,153
Cash and cash equivalents at beginning of period	66,093	25,600
Cash and cash equivalents at end of period	$203,665	$86,753
Supplemental disclosure of non-cash investing and financing activities		
Loans assumed in connection with property acquisitions	$(200,987)	$-
Issuance of Common Units in connection with land acquisition	$-	$(2,005)
Change in fair value of derivative instruments, net	$(2,187)	$302
Supplemental disclosure of cash flow information		
Interest paid	$45,343	$48,350

See accompanying notes to consolidated financial statements.

AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Description of Business

American Campus Communities, Inc. (the "Company") is a real estate investment trust ("REIT") that was incorporated on March 9, 2004 and commenced operations effective with the completion of an initial public offering ("IPO") on August 17, 2004. Through the Company's controlling interest in American Campus Communities Operating Partnership LP (the "Operating Partnership"), the Company 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. The Company 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.

As of September 30, 2010, the Company's property portfolio contained 99 student housing properties with approximately 61,400 beds in approximately 19,800 apartment units. The Company's property portfolio consisted of 92 owned off-campus properties that are in close proximity to colleges and universities, three American Campus Equity ("ACE®") properties operated under ground/facility leases with two university systems and four on-campus participating properties operated under ground/facility leases with the related university systems. As of September 30, 2010, the Company also owned a noncontrolling interest in one joint venture that owned an aggregate of six student housing properties with approximately 3,000 beds in approximately 900 units. The Company's 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 the Company's taxable REIT subsidiaries ("TRS"), it also provides construction management and development services, primarily for student housing properties owned by colleges and universities, charitable foundations, and others. As of September 30, 2010, the Company provided third-party management and leasing services for 36 properties (nine of which the Company served as the third-party developer and construction manager) that represented approximately 27,800 beds in approximately 10,600 units. Third-party management and leasing services are typically provided pursuant to multi-year management contracts that have initial terms that range from one to five years. As of September 30, 2010, the Company's total owned, joint venture and third-party managed portfolio included 141 properties with approximately 92,200 beds in approximately 31,300 units.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and include the financial position, results of operations and cash flows of the Company, the Operating Partnership and subsidiaries of the Operating Partnership, including joint ventures in which the Company has a controlling interest. Third-party equity interests in the Operating Partnership and consolidated joint ventures are reflected as noncontrolling interests in the consolidated financial statements. The Company also has a noncontrolling interest in two unconsolidated joint ventures, which are accounted for under the equity method. All intercompany amounts have been eliminated. All dollar amounts in the tables herein, except share and per share amounts, are stated in thousands unless otherwise indicated. Certain prior period amounts have been reclassified to conform to the current period presentation.

Recent Accounting Pronouncements

On January 1, 2010 the Company adopted new accounting guidance related to variable interest entities (“VIEs”). These new accounting pronouncements amend the existing accounting guidance to: (i) require an enterprise to perform an analysis to determine whether the enterprise’s variable interest or interests give it a controlling financial interest in a VIE, identifying the primary beneficiary of the VIE, (ii) require an ongoing reassessment of whether an enterprise is the primary beneficiary of a VIE, rather than only when specific events occur, (iii) eliminate the quantitative approach previously required for determining the primary beneficiary of a VIE, (iv) amend certain guidance for determining whether an entity is a VIE, (v) add an additional reconsideration event when changes in facts and circumstances pertinent to a VIE occur, (vi) eliminate the exception for troubled debt restructuring regarding VIE reconsideration, and (vii) require advanced disclosures that will provide users of financial statements with more transparent information about an enterprise’s involvement in a VIE. Upon the adoption of this new accounting guidance, management reevaluated its potential VIEs and concluded that there is no change from its initial assessment regarding which entities are consolidated by the Company and those that are accounted for under the equity method of accounting.

AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 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, 2009.

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 $0.3 million and $0.6 million was capitalized during the three months ended September 30, 2010 and 2009, respectively, and $0.5 million and $2.9 million was capitalized during the nine months ended September 30, 2010 and 2009, respectively. There was no amortization of deferred financing costs capitalized as construction in progress during the three or nine months ended September 30, 2010 and 2009.

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, 2010.

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 and other market data. Information obtained about each property as a result of due diligence, marketing and leasing activities is also considered. The value of in-place leases 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 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, generally less than one year. The purchase price of property acquisitions is not expected to be allocated to tenant relationships, considering the terms of the leases and the expected levels of renewals.

AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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:

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, and depreciation ceases.

Owned On-Campus Properties

Under its ACE program, the Company as lessee has entered into three ground/facility lease agreements with two university systems to finance, construct, and manage three student housing properties. One property was under construction as of September 30, 2010 and is scheduled to open for occupancy in August 2011. The terms of the leases, including extension options, range from 65 to 85 years, and the lessor has title to the land and any improvements placed thereon. The Company's involvement in construction requires the lessor's post construction ownership of the improvements to be treated as a sale with a subsequent leaseback by the Company. However, these sale-leaseback transactions do not qualify for sale-leaseback accounting because of the Company's continuing involvement in the constructed assets. As a result of the Company's continuing involvement, these leases are accounted for by the deposit method, in which the assets subject to the ground/facility leases are reflected at historical cost, less amortization, and the financing obligations are reflected at the terms of the underlying financing.

On-Campus Participating Properties

The Company has entered into ground and facility leases with two university systems and colleges to finance, construct, and manage four on-campus student housing facilities. Under the terms of the leases, the lessor has title to the land and any improvements placed thereon. Each lease terminates upon final repayment of the construction related financing, the amortization period of which is contractually stipulated. The Company's involvement in construction requires the lessor's post construction ownership of the improvements to be treated as a sale with a subsequent leaseback by the Company. The sale-leaseback transaction has been accounted for as a financing, and as a result, any fee earned during construction is deferred and recognized over the term of the lease. The resulting financing obligation is reflected at the terms of the underlying financing, i.e., interest is accrued at the contractual rates and principal reduces in accordance with the contractual principal repayment schedules.

The Company reflects these assets subject to ground/facility leases at historical cost, less amortization. Costs are amortized, and deferred fee revenue in excess of the cost of providing the service are recognized, over the lease term.

AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Intangible Assets

In connection with property acquisitions completed in 2010 and the acquisition of GMH Communities Trust ("GMH") in June 2008, the Company capitalized approximately $3.9 million and $18.8 million, respectively, related to management's estimate of the fair value of the in-place leases assumed. These intangible assets are amortized on a straight-line basis over the average remaining term of the underlying leases. Amortization expense was approximately $0.4 million and $1.4 million for the three months ended September 30, 2010 and 2009, respectively, and approximately $0.6 million and $9.6 million for the nine months ended September 30, 2010 and 2009, respectively. The Company also capitalized $1.5 million related to management's estimate of the fair value of third-party management contracts acquired from GMH. These intangible assets are amortized on a straight-line basis over a period of three years. Amortization expense related to these acquired management contracts was approximately $0.1 million for both three month periods ended September 30, 2010 and 2009, respectively, and $0.4 million for both nine month periods ended September 30, 2010 and 2009, respectively. The amortization of intangible assets is included in depreciation and amortization expense in the accompanying consolidated statements of operations. See Note 3 herein for a detailed discussion of the property acquisitions completed during the nine months ended September 30, 2010.

Deferred Financing Costs

The Company defers financing costs and amortizes the costs over the terms of the related debt using the effective interest method. Upon repayment of or in conjunction with a material change in the terms of the underlying debt agreement, any unamortized costs are charged to earnings. Accumulated amortization at September 30, 2010 and December 31, 2009 approximated $10.4 million and $9.0 million, respectively. Deferred financing costs, net of amortization, are included in other assets on the accompanying consolidated balance sheets.

Joint Ventures

The Company holds interests in both consolidated and unconsolidated joint ventures. The Company consolidates joint ventures when it exhibits financial or operational control, which is determined using accounting standards related to the consolidation of joint ventures and VIE's. For joint ventures that are defined as VIE's, the primary beneficiary consolidates the entity. In instances where the Company is not the primary beneficiary, it does not consolidate the joint venture for financial reporting purposes. For joint ventures that are not defined as VIEs, management first considers whether the Company is the general partner or a limited partner (or the equivalent in such investments which are not structured as partnerships). The Company consolidates joint ventures where it is the general partner (or the equivalent) and the limited partners (or the equivalent) in such investments do not have rights which would preclude control and, therefore, consolidation for financial reporting purposes. For joint ventures where the Company is the general partner (or the equivalent), but does not control the joint venture as the other partners (or the equivalent) hold substantive participating rights, the Company uses the equity method of accounting. For joint ventures where the Company is a limited partner (or the equivalent), management considers factors such as ownership interest, voting control, authority to make decisions, and contractual and substantive participating rights of the partners (or the equivalent) to determine if the presumption that the general partner controls the entity is overcome. In instances where these factors indicate the Company controls the joint venture, the Company consolidates the joint venture; otherwise it uses the equity method of accounting.

Debt Premiums and Discounts

Debt premiums and discounts represent fair value adjustments to account for the difference between the stated rates and market rates of debt assumed in connection with the Company's property acquisitions. The debt premiums and discounts are amortized to interest expense over the term of the related loans using the effective-interest method. As of September 30, 2010 and December 31, 2009, net unamortized debt premiums were approximately $16.5 million and $3.8 million, respectively, and net unamortized debt discounts were approximately $7.0 million and $8.5 million, respectively. Debt premiums and discounts are included in secured mortgage, construction and bond debt on the accompanying consolidated balance sheets.

Third-Party Development Services Revenue and Costs

Development revenues are generally recognized based on a proportionate performance method based on contract deliverables, while construction revenues are recognized using the percentage of completion method, as determined by construction costs incurred relative to total estimated construction costs. Costs associated with such projects are deferred and recognized in relation to the revenues earned on executed contracts. For projects where the Company's fee is based on a fixed price, any cost overruns incurred during construction, as compared to the original budget, will reduce the net fee generated on those projects. Incentive fees are generally recognized when the project is complete and performance has been agreed upon by all parties, or when performance has been verified by an independent third-party. The Company also evaluates the collectability of fee income and expense reimbursements generated through the provision of development and construction management services based upon the individual facts and circumstances, including the contractual right to receive such amounts in accordance with the terms of the various projects, and reserves any amounts that are deemed to be uncollectible.

AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 operations. As of September 30, 2010, the Company has deferred approximately $11.2 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.

Derivative Instruments and Hedging Activities

The Company records all derivative financial instruments on the balance sheet at fair value. Changes in fair value are recognized either in earnings or as other comprehensive income, depending on whether the derivative has been designated as a fair value or cash flow hedge and whether it qualifies as part of a hedging relationship, the nature of the exposure being hedged, and how effective the derivative is at offsetting movements in underlying exposure. The Company discontinues hedge accounting when: (i) it determines that the derivative is no longer effective in offsetting changes in the fair value or cash flows of a hedged item; (ii) the derivative expires or is sold, terminated, or exercised; (iii) it is no longer probable that the forecasted transaction will occur; or (iv) management determines that designating the derivative as a hedging instrument is no longer appropriate. In all situations in which hedge accounting is discontinued and the derivative remains outstanding, the Company will carry the derivative at its fair value on the balance sheet, recognizing changes in the fair value in current-period earnings. The Company uses interest rate swaps to effectively convert a portion of its floating rate debt to fixed rate, thus reducing the impact of rising interest rates on interest payments. These instruments are designated as cash flow hedges and the interest differential to be paid or received is accrued as interest expense. The Company's counter-parties are major financial institutions. See Note 12 herein for an expanded discussion on derivative instruments and hedging activities.

Income Taxes

The Company has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"). To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including a requirement that it currently distribute at least 90% of its adjusted taxable income to its stockholders. As a REIT, the Company will generally not be subject to corporate level federal income tax on taxable income it currently distributes to its stockholders. If the Company fails to qualify as a REIT in any taxable year, it will be subject to federal income taxes at regular corporate rates (including any applicable alternative minimum tax) and may not be able to qualify as a REIT for the subsequent four taxable years. Even if the Company qualifies for taxation as a REIT, the Company may be subject to certain state and local income and excise taxes on its income and property, and to federal income and excise taxes on its undistributed income.

The Company owns two TRS entities that manage the Company's non-REIT activities and each is subject to federal, state and local income taxes.

AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES
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Earnings per Share

Basic earnings per share is computed using net income (loss) 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 common and preferred Operating Partnership 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, 2010 and 2009, 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,	
	2010	2009	2010	2009
Restricted stock awards (Note 11)	-	465,533	-	458,785
Common Operating Partnership units (Note 7)	-	1,205,285	-	1,163,106
Preferred Operating Partnership units (Note 7)	114,963	114,963	114,963	114,963
Total potentially dilutive securities	114,963	1,785,781	114,963	1,736,854

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Basic earnings per share calculation:				
Income (loss) from continuing operations	$ 4,086	$ (4,870)	$ 10,961	$ (8,710)
Income from continuing operations attributable to noncontrolling interests	(181)	(75)	(678)	(350)
Income (loss) from continuing operations attributable to common shareholders	3,905	(4,945)	10,283	(9,060)
Amount allocated to participating securities	(173)	(157)	(573)	(496)
Income (loss) from continuing operations attributable to common shareholders, net of amount allocated to participating securities	3,732	(5,102)	9,710	(9,556)
Loss from discontinued operations	-	(877)	(7,993)	(1,825)
Loss from discontinued operations attributable to noncontrolling interests	-	18	194	48
Loss from discontinued operations attributable to common shareholders	-	(859)	(7,799)	(1,777)
Net income (loss) attributable to common shareholders, as adjusted – basic	$ 3,732	$ (5,961)	$ 1,911	$ (11,333)

Income (loss) from continuing operations attributable to common shareholders, as adjusted – per share	$ 0.06	$ (0.10)	$ 0.18	$ (0.20)
Loss from discontinued operations attributable to common shareholders – per share	$ 0.00	$ (0.01)	$ (0.15)	$ (0.04)
Net income (loss) attributable to common shareholders, as adjusted – per share	$ 0.06	$ (0.11)	$ 0.03	$ (0.24)
Basic weighted average common shares outstanding	59,165,472	52,195,869	54,604,300	47,526,198

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AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Diluted earnings per share calculation:				
Income (loss) from continuing operations attributable to common shareholders, net of amount allocated to participating securities	$3,732	$(5,102)	$9,710	$(9,556)
Income from continuing operations allocated to Common Units	51	-	199	-
Income (loss) from continuing operations attributable to common shareholders, as adjusted	3,783	(5,102)	9,909	(9,556)
Loss from discontinued operations attributable to common shareholders	-	(859)	(7,799)	(1,777)
Loss from discontinued operations allocated to Common Units	-	-	(177)	-
Loss from discontinued operations attributable to common shareholders, as adjusted	-	(859)	(7,976)	(1,777)
Net income (loss) attributable to common shareholders, as adjusted – diluted	$3,783	$ (5,961)	$1,933	$(11,333)
Income (loss) from continuing operations attributable to common shareholders, net of amount allocated to participating securities – per share	$0.06	$(0.10)	$ 0.18	$(0.20)
Loss from discontinued operations attributable to common shareholders – per share	$0.00	$(0.01)	$(0.15)	$(0.04)
Net income (loss) attributable to common shareholders - per share	$0.06	$(0.11)	$0.03	$$ (0.24)
Basic weighted average common shares outstanding	59,165,472	52,195,869	54,604,300	47,526,198
Restricted Stock Awards (Note 11)	513,630	-	533,563	-
Common Operating Partnership units (Note 7)	1,115,866	-	1,158,074	-
Diluted weighted average common shares outstanding	60,794,968	52,195,869	56,295,937	47,526,198

3. Property Acquisitions

On September 1, 2010, the Company acquired the remaining 90% interest in 11 student housing properties (the "Fidelity Portfolio") previously owned in one of the Fidelity Joint Ventures in which the Company held a 10% interest, for a purchase price of $74.9 million. The Fidelity Portfolio contains 6,806 beds located in various markets throughout the country. As part of the transaction, the Company assumed $193.8 million of fixed-rate mortgage debt with a weighted average annual interest rate of 5.99% and an average term to maturity of 3.8 years. The Company also assumed a $7.2 million variable-rate mortgage loan that was paid off by the Company in September. The following summarizes our preliminary allocation, which is subject to change, of total consideration to the assets and liabilities acquired from the Fidelity joint venture:

Land	$34,373
Buildings	252,387

Furniture, fixtures and equipment	8,668
In-place leases	3,384
Deferred financing costs	1,177
Debt premiums	(14,331)
Working capital liabilities, net of assets	(140)
Total consideration	$285,518

AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The acquisition of the Fidelity Portfolio was accounted for as a business combination achieved in stages and as a result, the Company was required to remeasure its equity method investment to its acquisition-date fair value and recognize the resulting gain in earnings. The Company therefore recorded a non-cash gain of approximately $3.9 million, which is included in other nonoperating income on the accompanying consolidated statements of operations for the three and nine months ended September 30, 2010. Subsequent to the acquisition, the Company now consolidates the 11 properties acquired.

In July 2010, the Company acquired a 201-unit, 487-bed wholly-owned property (Sanctuary Lofts) located near the campus of Texas State University in San Marcos, Texas, for a purchase price of $21.4 million, which excludes approximately $1.8 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 debt as part of this transaction.

In March 2010, one of the Fidelity joint ventures in which the Company owns a 10% interest assigned its ownership interest in the University Heights property to the Operating Partnership for a price of $9.9 million, the value of the mortgage indebtedness. This 528-bed property, serving students attending the University of Alabama at Birmingham, is now 100% wholly-owned by the Operating Partnership.

The acquired properties' results of operations have been included in the accompanying consolidated statements of operations since the respective acquisition closing dates. The following pro forma information for the three and nine months ended September 30, 2010 and 2009 presents consolidated financial information for the Company as if the property acquisitions discussed above and the Company's August 2010 equity offering had occurred on January 1, 2009. 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,	
	2010	2009	2010	2009
Total revenues	$ 95,978	$ 86,724	$ 274,763	$ 253,687
Net income (loss) attributable to common shareholders	$ 4,245	$ (6,488)	$ 6,322	$ (11,421)
Net income (loss) per share – basic	$ 0.06	$ (0.10)	$ 0.10	$ (0.19)
Net income (loss) per share – diluted	$ 0.06	$ (0.10)	$ 0.09	$ (0.19)

4. Property Dispositions and Discontinued Operations

On April 30, 2010, the Company sold Campus Walk - Oxford for a purchase price of $9.2 million, including the assumption of the existing $8.1 million mortgage loan, resulting in net proceeds of approximately $1.0 million. The resulting loss on disposition of approximately $55,000 is included in discontinued operations in the accompanying consolidated statements of operations for the nine months ended September 30, 2010. In March 2010, the Company classified Campus Walk – Oxford as held for sale and concurrent with the held for sale classification, the property was recorded at the lower of cost or fair value resulting in an impairment charge of approximately $4.0 million, which is included in discontinued operations in the accompanying consolidated statements of operations for the nine months ended September 30, 2010.

On March 26, 2010, the Company sold Cambridge at Southern for a purchase price of $19.5 million, including the assumption of the existing $18.4 million mortgage loan, resulting in net proceeds of approximately $0.9 million. The resulting loss on disposition of approximately $3.6 million is included in discontinued operations in the accompanying consolidated statements of operations for the nine months ended September 30, 2010.

On December 31, 2009, the Company sold Riverside Estates for a purchase price of $18.2 million, including the assumption of the existing $16.2 million mortgage loan, resulting in net proceeds of approximately $1.3 million.

The related net loss for the afore-mentioned properties is reflected in the accompanying consolidated statements of operations as discontinued operations for all periods presented. Below is a summary of the results of operations for Campus Walk – Oxford, Cambridge at Southern and Riverside Estates through their respective disposition dates for all periods presented:

AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Total revenues	$ -	$ 2,022	$ 1,310	$ 6,018
Total operating expenses	-	2,254	1,153	5,926
Provision for asset impairment	-	-	4,036	-
Operating (loss) income	-	(232)	(3,879)	92
Total nonoperating expenses	-	(645)	(409)	(1,917)
Net loss	$ -	$ (877)	$ (4,288)	$ (1,825)

5. Investments in Wholly-Owned Properties

Wholly-owned properties consisted of the following:

	September 30, 2010	December 31, 2009
Land (1)	$ 292,861	$ 250,044
Buildings and improvements	2,086,295	1,825,915
Furniture, fixtures and equipment	125,393	112,831
Construction in progress	19,393	-
	2,523,942	2,188,790
Less accumulated depreciation	(221,463)	(173,820)
Wholly-owned properties, net	$ 2,302,479	$ 2,014,970

(1) The land balance above includes undeveloped land parcels with a total book value of $28.5 million and $27.6 million as of September 30, 2010 and December 31, 2009, respectively.

6. On-Campus Participating Properties

The Company is a party to ground/facility lease agreements (“Leases”) with certain state university systems and colleges (each, a “Lessor”) for the purpose of developing, constructing, and operating student housing facilities on university campuses. Under the terms of the Leases, title to the constructed facilities is held by the applicable Lessor and such Lessor receives a de minimus base rent paid at inception and 50% of defined net cash flows on an annual basis through the term of the lease. The Leases terminate upon the earlier to occur of the final repayment of the related debt, the amortization period of which is contractually stipulated, or the end of the lease term.

Pursuant to the Leases, in the event the leasehold estates do not achieve Financial Break Even (defined as revenues less operating expenses, excluding management fees, less debt service), the applicable Lessor would be required to make a rental payment, also known as the Contingent Payment, sufficient to achieve Financial Break Even. The Contingent Payment provision remains in effect until such time as any financing placed on the facilities would receive an investment grade rating without the Contingent Payment provision. In the event that the Lessor is required to make a Contingent Payment, future net cash flow distributions would be first applied to repay such Contingent Payments and then to unpaid management fees prior to normal distributions. Beginning in November 1999 and December 2002, as a result of the debt financing on the facilities achieving investment grade ratings without the Contingent Payment provision, the Texas A&M University System is no longer required to make Contingent Payments under either the Prairie View A&M University Village or University College Leases. The Contingent Payment obligation continues to be in effect for the Texas A&M International University and University of Houston leases.

In the event the Company seeks to sell its leasehold interest, the Leases provide the applicable Lessor the right of first refusal of a bona fide purchase offer and an option to purchase the lessee's rights under the applicable Lease.

In conjunction with the execution of each Lease, the Company has entered into separate five-year agreements to manage the related facilities for 5% of defined gross receipts. The five-year terms of the management agreements are not contingent upon the continuation of the Leases. Upon expiration of the initial five year terms, the agreements continue on a month-to-month basis.

AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES
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On-campus participating properties are as follows:

			Historical Cost	
Lessor/University	Lease Commencement	Required Debt Repayment (1)	September 30, 2010	December 31, 2009
Texas A&M University System / Prairie View A&M University (2)	2/1/96	9/1/23	$ 39,283	$ 38,918
Texas A&M University System / Texas A&M International	2/1/96	9/1/23	6,291	6,216
Texas A&M University System / Prairie View A&M University (3)	10/1/99	8/31/25 / 8/31/28	24,630	24,398
University of Houston System / University of Houston (4)	9/27/00	8/31/35	35,375	35,192
			105,579	104,724
Less accumulated amortization			(42,287)	(39,034)
On-campus participating properties, net			$ 63,292	$ 65,690

(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.

7. Noncontrolling Interests

Third-party joint venture partners: The Company consolidates four joint ventures that own and operate the Callaway House, 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” within equity on the accompanying consolidated balance sheets. Accordingly, the third-party partners’ share of the income or loss of the joint ventures is reported on the consolidated statements of operations as “noncontrolling interests share of net income / loss.”

Operating Partnership units: Certain partners in the Operating Partnership hold their ownership through common and preferred units of limited partnership interest, hereinafter referred to as “Common Units” or “Series A Preferred Units.” Common Units and Series A Preferred Units are exchangeable into an equal number of shares of the Company’s common stock, or, at the Company’s election, cash. A Common Unit and a share of the Company’s common stock have essentially the same economic characteristics, as they effectively participate equally in the net income and distributions of the Operating Partnership. Series A Preferred Units have a cumulative preferential per annum cash distribution rate of 5.99%, payable quarterly concurrently with the payment of dividends on the Company's common stock.

The Company follows accounting guidance stipulating that securities that are redeemable for cash or other assets at a fixed or determinable price on a fixed or determinable date, at the option of the holder, or upon the occurrence of an event that is not solely within the control of the issuer, must be classified outside of permanent equity in the mezzanine section of the consolidated balance sheets. In accordance with such guidance, management evaluates whether the Company controls the actions or events necessary to issue the maximum number of shares that could be required to be delivered under share settlement of the contract. Based on this assessment, which includes evaluating terms in the applicable agreements related to redemption provisions, the Company has determined that Common Units and Series A Preferred Units in the Operating Partnership should be classified as "redeemable noncontrolling interests" in the mezzanine section of the consolidated balance sheets. The value of redeemable noncontrolling interests on the consolidated balance sheets is reported at the greater of fair value or historical cost at the end of each reporting period. Accordingly, income or loss allocated to these redeemable noncontrolling interests on the Company's consolidated statements of operations includes the Series A Preferred Unit distributions as well as the pro rata share of the Operating Partnership's net income or loss allocated to Common Units.

AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES
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During the nine months ended September 30, 2010 and 2009, 99,071 and 2,000 Common Units, respectively, were converted into shares of the Company's common stock. As of September 30, 2010 and December 31, 2009, approximately 2% of the equity interests of the Operating Partnership was held by owners of Common Units and Series A Preferred Units.

8. Investment in Unconsolidated Joint Ventures

Investments in unconsolidated joint ventures are accounted for utilizing the equity method. As discussed in Note 2 herein, the equity method is used when the Company has the ability to exercise significant influence over operating and financial policies of the joint venture but does not have control of the joint venture. Under the equity method, these investments are initially recognized in the balance sheet at cost and are subsequently adjusted to reflect the Company's proportionate share of net earnings or losses of the joint venture, distributions received, contributions, and certain other adjustments, as appropriate. When circumstances indicate there may have been a loss in value of an equity method investment, the Company evaluates the investment for impairment by estimating the Company's ability to recover its investment from future expected discounted cash flows. If the Company determines the loss in value is other than temporary, the Company recognizes an impairment charge to reflect the investment at fair value. The Company believes that there were no impairments of the carrying values of its equity method investments as of September 30, 2010.

Fidelity Joint Ventures: Through September 1, 2010, the Company owned a 10% equity interest in two joint ventures with Fidelity. One of the joint ventures (hereinafter referred to as "Fund II") owns a total of 6 properties containing approximately 1,728 beds. The other joint venture (hereinafter referred to as "Fund III") owned a total of 11 properties containing 6,806 beds.

On September 1, 2010, the Company acquired the remaining 90% interest in Fund III from Fidelity. The acquisition was accounted for as a business combination achieved in stages and as a result, the Company was required to remeasure its equity method investment in Fund III to its acquisition-date fair value and recognize the resulting gain in earnings. The acquisition date fair value of the Company's 10% equity interest was approximately $8.5 million, which involved estimating the fair value of the real estate acquired and mortgage debt assumed. The fair value of the real estate acquired was estimated based on income and market valuation techniques using information such as broker estimates, purchase prices for recent transactions on comparable assets and net operating income capitalization analyses using observable market inputs such as capitalization rates, asset quality grading, geographic location analysis, and local supply and demand observations. The fair value of the mortgage debt assumed was estimated using observable inputs such as market rates for debt with the same or similar terms. The non-cash gain resulting from the remeasurement of the Company's equity method investment to its acquisition-date fair value of approximately $3.9 million is included in other nonoperating income in the accompanying consolidated statements of operations for the three and nine months ended September 30, 2010. Subsequent to the acquisition, the Company now consolidates the 11 properties acquired.

As of September 30, 2010, the Company still owns a 10% interest in Fund II. The Company's equity method investment in the Fund II is included in other assets in the accompanying consolidated balance sheets, and the Company's 10% share in the loss from Fund II is included in loss from unconsolidated joint ventures in the accompanying consolidated statements of operations. Fund II is funded in part with secured third party debt in the amount of $88.0 million. The Operating Partnership serves as non-recourse, carve-out guarantor of this debt, which means the Operating Partnership is liable to the lender for any loss, damage, cost, expense, liability, claim or other obligation incurred by the lender arising out of or in connection with certain non-recourse exceptions in connection with the debt. Pursuant to the limited liability company agreement, Fund II agreed to indemnify, defend and hold harmless the Operating Partnership with respect to such obligations, except to the extent such obligations were caused by the willful misconduct, gross negligence, fraud or bad faith of the Operating Partnership or its employees, agents or affiliates. Therefore, the Operating Partnership's exposure under the guarantees for obligations not caused by the willful misconduct, gross negligence, fraud or bad faith of the Operating Partnership or its employees, agents or affiliates is not expected to exceed the Company’s 10% proportionate interest in the related mortgage debt. Due to Fund II’s limited liability company agreement not providing for maximum capital commitments from the members, the Company’s maximum exposure to loss stemming from its investment in Fund II could be unlimited.

The Company serves as property manager for all of the properties owned by Fund II. The Company also served as property manager for all of the properties owned by Fund III until its acquisition of the remaining 90% interest in Fund III on September 1, 2010. For the three months ended September 30, 2010 and 2009, the Company earned approximately $0.4 million and $0.6 million, respectively, in property management fees from Fund II and Fund III, and for the nine months ended September 30, 2010 and 2009, the Company earned approximately $1.5 million and $1.8 million, respectively, in property management fees from Fund II and Fund III.

Hampton Roads Joint Venture: The Company also holds a noncontrolling equity interest in a joint venture that owns a military housing privatization project with the United States Navy to design, develop, construct, renovate, and manage unaccompanied soldier housing located on naval bases in Norfolk and Newport News, Virginia. The project is financed through taxable revenue bonds, and the construction of the final phase of the project was completed in July 2010. The Company’s investment in this joint venture at September 30, 2010 and December 31, 2009, respectively, is included in other assets in the accompanying consolidated balance sheets, and the Company’s share in the loss from this joint venture is included in loss from unconsolidated joint ventures in the accompanying consolidated statements of operations. The Company earned combined development and management fees from this joint venture of approximately $0.6 million and $0.3 million for the three months ended September 30, 2010 and 2009, respectively, and $1.3 million and $0.9 million for the nine months ended September 30, 2010 and 2009, respectively.

AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES
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9. Debt

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

	September 30, 2010	December 31, 2009
Debt secured by wholly-owned properties:		
Mortgage loans payable	$ 907,662	$ 850,046
Construction loan payable	100,000	100,000
	1,007,662	950,046
Debt secured by on-campus participating properties:		
Mortgage loans payable	32,499	32,718
Bonds payable	49,375	51,390
	81,874	84,108
Senior secured term loan	100,000	100,000
Secured agency facility	101,000	94,000
Unamortized debt premiums	16,520	3,765
Unamortized debt discounts	(7,009)	(8,464)
Total debt	$ 1,300,047	$ 1,223,455

Loans Assumed in Connection with Property Acquisitions

On September 1, 2010, the Company acquired the remaining 90% interest in 11 student housing properties previously owned in one of the Fidelity Joint Ventures in which the Company held a 10% interest (see Notes 3 and 8). In connection with this acquisition, the Company assumed approximately $193.8 million of fixed-rate mortgage debt. At the time of assumption, the fixed-rate mortgage debt had a weighted average annual interest rate of 5.99% and an average term to maturity of 3.8 years. Upon assumption of this mortgage debt, the Company recorded debt premiums of approximately $14.3 million to reflect the estimated fair value of the debt assumed. The Company also assumed approximately $7.2 million of variable-rate mortgage debt that was paid off by the Company in September.

Pay-off of Mortgage Debt

During the nine months ended September 30, 2010, the Company paid off approximately $103.5 million of fixed-rate mortgage debt and $7.2 million of variable-rate mortgage debt secured by seven of its wholly-owned properties. The Company has no outstanding fixed-rate mortgage debt scheduled to mature throughout the remainder of 2010.

Secured Revolving Credit Facility

The Operating Partnership has a $225 million revolving credit facility that may be expanded by up to an additional $75 million upon the satisfaction of certain conditions. The maturity date of the facility is August 14, 2012 and can be extended 12 months through August 2013. As of September 30, 2010, the facility was secured by 10 of the Company’s wholly-owned properties.

Availability under the revolving credit facility is limited to an "aggregate borrowing base amount" equal to the lesser of (i) 50% to 65% of the value of certain properties, calculated as set forth in the credit facility, and (ii) the adjusted net operating income from these properties divided by a formula amount. The facility bears interest at a variable rate, at the Company's option, based upon a base rate or one-, two-, or three-month LIBOR, with a LIBOR floor of 2.0%, plus, in each case, a spread based upon the Company's total leverage. Additionally, the Company is required to pay an unused commitment fee of 0.35% per annum. In August 2010, the Company paid off the entire balance on the facility using proceeds from the August 2010 equity offering (see Note 10). As of September 30, 2010, the total availability under the facility totaled approximately $215.0 million.

AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES
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The terms of the 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, 2010, 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 five-year term and is currently secured by 11 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, 2010, the balance outstanding on the secured agency facility totaled $101.0 million, bearing interest at a weighted average annual rate of 2.28%. The secured agency facility includes some, but not all, of the same financial covenants as the secured revolving credit facility, described above.

Senior Secured Term Loan

The Operating Partnership has a $100 million senior secured term loan that matures on May 23, 2011 and can be extended through May 2012 through the exercise of a 12-month extension option. The secured term 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 total leverage. As of September 30, 2010, the balance outstanding on the secured term loan was $100 million. The Company guarantees the Operating Partnership’s obligations under the secured term loan. The secured term loan includes the same restrictions and covenants as the secured revolving credit facility, described above.

On February 23, 2009, the Company entered into two $50.0 million interest rate swap agreements effective March 20, 2009 through February 20, 2012, which are both used to hedge the Company’s exposure to fluctuations in interest payments on its LIBOR-based senior secured term loan. Under the terms of the two interest rate swap agreements, the Company pays an average fixed rate of 1.7925% and receives a one-month LIBOR floating rate. As a result of these two interest rate swaps, the Company effectively fixed the interest rate on its senior secured term loan to 3.80% as of September 30, 2010 (1.7952% + 2.00% spread). In the event that the swaps at any time have a negative fair value below a certain threshold level, the Company is required to post cash into a collateral account pledged to the interest rate swap providers. As of September 30, 2010, the Company had deposited approximately $0.9 million into a collateral account related to one of the interest rate swaps. See Note 12 herein for a more detailed discussion of the Company’s derivative instruments and hedging activities.

10. Stockholders’ Equity

On August 20, 2010, the Company completed an equity offering, consisting of the sale of 13,800,000 shares of the Company’s common stock at a price of $27.00 per share, including 1,800,000 shares issued as a result of the exercise of the underwriters’ overallotment option in full at closing. The offering generated gross proceeds of $372.6 million. The aggregate proceeds to the Company, net of the underwriting discount and expenses of the offering, were approximately $357.1 million.

In May 2010, the Company announced the establishment of an 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 $150 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. During the three months ended September 30, 2010, the Company sold approximately 0.3 million shares at weighted average price of $28.42 per share for net proceeds of approximately $8.5 million after payment of approximately $0.1 million of commissions to the sales agents. The Company may continue to sell shares of common stock under this program from time to time based on market conditions, although the Company is not under an obligation to sell any shares. As of September 30, 2010, the Company had approximately $133.7 million available for issuance under this program.

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11. Incentive Award Plan

In May 2010, the Company's stockholders approved the American Campus Communities, Inc. 2010 Incentive Award Plan (the "2010 Plan"). The 2010 Plan provides for the grant of various stock-based incentive awards to selected employees and directors of the Company and the Company's affiliates. The types of awards that may be granted under the 2010 Plan include incentive stock options, nonqualified stock options, restricted stock awards ("RSAs"), restricted stock units ("RSUs"), profits interest units ("PIUs") and other stock-based awards. The Company has reserved a total of 1.7 million shares of the Company's common stock for issuance pursuant to the 2010 Plan, subject to certain adjustments for changes in the Company's capital structure, as defined in the 2010 Plan. As of September 30, 2010, 1,721,742 shares were available for issuance under the 2010 Plan.

Restricted Stock Units

Upon initial appointment to the Board of Directors and reelection to the Board of Directors at each Annual Meeting of Stockholders, each outside member of the Board of Directors is granted RSUs. On the Settlement Date, the Company will deliver to the recipients a number of shares of common stock or cash, as determined by the Compensation Committee of the Board of Directors, equal to the number of RSUs held by the recipients. In addition, recipients of RSUs are entitled to dividend equivalents equal to the cash distributions paid by the Company on one share of common stock for each RSU issued, payable currently or on the Settlement Date, as determined by the Compensation Committee of the Board of Directors.

Upon reelection to the Board of Directors in May 2010, the Chairman of the Board of Directors was granted RSUs valued at $51,500 and the remaining outside members were each granted RSUs valued at $41,500. 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 $0.3 million was recorded during the three months ended June 30, 2010 related to these awards. A summary of the Company's RSUs under the Plan as of September 30, 2010 and changes during the nine months ended September 30, 2010, is presented below:

	Number of RSUs
Outstanding at December 31, 2009	5,376
Granted	9,674
Settled in common shares	(5,894)
Settled in cash	(9,156)
Outstanding at September 30, 2010	-

Restricted Stock Awards

The Company awards RSAs to its executive officers and certain employees that vest in equal annual installments over a five year period. Unvested awards are forfeited upon the termination of an individual's employment with the Company under specified circumstances. Recipients of RSAs receive dividends, as declared by the Company's Board of Directors, on unvested shares, provided that the recipient continues to be employed by the Company. A summary of the Company's RSAs under the Plan as of September 30, 2010 and changes during the nine months ended September 30, 2010, is presented below:

	Number of RSAs
Nonvested balance at December 31, 2009	461,935
Granted	206,711
Vested	(84,631)
Forfeited	(74,411)
Nonvested balance at September 30, 2010	509,604

The Company recognizes the value of these awards as an expense over the vesting periods, which amounted to approximately $0.9 million and $0.7 million for the three months ended September 30, 2010 and 2009, respectively, and $2.7 million and $2.0 million for the nine months ended September 30, 2010 and 2009, respectively.

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12. Derivatives 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

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 Income (Loss) and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. During the nine months ended September 30, 2010, such derivatives were used to hedge the variable cash flows associated with the Company's $100 million senior secured term loan and 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, 2010:

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%	$	33,156	$	(4,568	)
Feb. 23, 2009	March 20, 2009	Feb. 20, 2012	1.785	%	LIBOR – 1 month		50,000		(983	)
Feb. 23, 2009	March 20, 2009	Feb. 20, 2012	1.800	%	LIBOR – 1 month		50,000		(992	)

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, 2010 and December 31, 2009:

	Derivative Liabilities			
	As of September 30, 2010		As of December 31, 2009	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value

Interest rate swap contracts	Other liabilities	$ 6,543	Other Liabilities	$ 4,356
Total derivatives designated as hedging instruments		$ 6,543		$ 4,356

The table below presents the effect of the Company's derivative financial instruments on other comprehensive income ("OCI") for the nine months ended September 30, 2010 and 2009:

Cash Flow Hedging Relationships	Amount of (Loss) Income Recognized in OCI on Derivative (Effective Portion) Nine Months Ended September 30, 2010	2009
Interest rate swap contracts	$ (2,187)	$ 302
Total	$ (2,187)	$ 302

The Company reported a comprehensive loss of $10.1 million for the nine months ended September 30, 2009, which includes a net loss of $10.4 million offset by an unrealized gain of $0.3 million (reflected in the table above).

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13. Fair Value Disclosures

The following table presents information about the Company's assets and liabilities measured at fair value on a recurring and nonrecurring basis as of September 30, 2010, and indicate 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. Disclosures concerning assets and liabilities measured at fair value are as follows:

Fair Value Measurements on a Recurring or Nonrecurring Basis as of September 30, 2010

	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at September 30, 2010
Liabilities:				
Derivative financial instruments	$ -	$ 6,543	$ -	$ 6,543

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, 2010, 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, 2010, 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 its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

Other Fair Value Disclosures

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

AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES
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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.

Senior Secured Term Loan, Secured Credit Facilities and Construction Loans: the fair value of the Company's secured term loan, secured credit facilities and construction loans approximate carrying values due to the variable interest rate feature of these instruments.

Mortgage Loans: the fair value of mortgage loans is based on the present value of the cash flows at current rates through maturity.

Bonds Payable: the fair value of bonds payable is based on market quotes for bonds outstanding.

The table below contains the estimated fair value and related carrying amounts for the Company's mortgage loans and bonds payable as of September 30, 2010 and December 31, 2009:

	September 30, 2010		December 31, 2009	
	Fair Value	Carrying Amount	Fair Value	Carrying Amount
Mortgage loans	$1,021,212	$ 949,672	$912,332	$ 878,065
Bonds payable	51,413	49,375	49,865	51,390

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, 2010, management did not anticipate any material deviations from schedule or budget related to third-party development projects currently in progress.

Guaranty of Joint Venture Mortgage Debt: As mentioned in Note 8, Fund II is funded in part with secured third party debt in the amount of $88.0 million. The Operating Partnership serves as non-recourse, carve-out guarantor of this debt, which means the Operating Partnership is liable to the lender for any loss, damage, cost, expense, liability, claim or other obligation incurred by the lender arising out of or in connection with certain non-recourse exceptions in connection with the debt. Pursuant to the limited liability company agreement, Fund II agreed to indemnify, defend and hold harmless the Operating Partnership with respect to such obligations, except to the extent such obligations were caused by the willful misconduct, gross negligence, fraud or bad faith of the Operating Partnership or its employees, agents or affiliates. Therefore, the Operating Partnership's exposure under the guarantees for obligations not caused by the willful misconduct, gross negligence, fraud or bad faith of the Operating Partnership or its employees, agents or affiliates is not expected to exceed the Company’s 10% proportionate interest in the related mortgage debt.

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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 $99.8 million.

Contingencies

Gain on Insurance Settlement: In April 2010, the Company's Campus Trails property located in Starkville, Mississippi had 72 beds destroyed by a fire, which are currently in the process of being rebuilt. This fire caused substantial business interruption and property damage, both of which are covered under the Company's existing insurance policies. Management anticipates that the ultimate proceeds received from insurance will exceed the book value of the property destroyed, and accordingly a gain on insurance settlement will be recorded in a future period. Management anticipates that the gain will be recorded during the fourth quarter 2010, once all contingencies have been resolved and the amount of the gain is determinable.

Litigation: In the normal course of business, the Company is subject to claims, lawsuits, and legal proceedings. 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.

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 or joint ventures. 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, noncontrolling interests and allocation of corporate overhead. Intercompany fees are reflected at the contractually stipulated amounts.

AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES
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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Wholly-Owned Properties				
Rental revenues	$ 75,647	$ 68,001	$ 215,882	$ 197,934
Interest and other income	16	9	36	30
Total revenues from external customers	75,663	68,010	215,918	197,964
Operating expenses before depreciation, amortization, ground/facility lease and allocation of corporate overhead	41,877	38,006	106,143	100,798
Ground/facility leases	288	251	820	763
Interest expense	11,607	12,861	35,263	39,838
Other nonoperating income	-	-	-	402
Operating income before depreciation, amortization, and allocation of corporate overhead	$ 21,891	$ 16,892	$ 73,692	$ 56,967
Depreciation and amortization	$ 18,439	$ 16,549	$ 50,876	$ 52,601
Capital expenditures	$ 19,762	$ 31,537	$ 34,785	$ 99,893
Total segment assets at September 30,	$ 2,419,522	$ 2,134,602	$ 2,419,522	$ 2,134,602
On-Campus Participating Properties				
Rental revenues	$ 4,654	$ 4,433	$ 16,107	$ 15,229
Interest and other income	2	7	10	40
Total revenues from external customers	4,656	4,440	16,117	15,269
Operating expenses before depreciation, amortization, ground/facility lease and allocation of corporate overhead	2,683	2,544	7,373	7,085
Ground/facility lease	599	223	1,391	715
Interest expense	1,505	1,535	4,521	4,650
Operating (loss) income before depreciation, amortization and allocation of corporate overhead	$ (131)	$ 138	$ 2,832	$ 2,819
Depreciation and amortization	$ 1,094	$ 1,087	$ 3,253	$ 3,269
Capital expenditures	$ 631	$ 464	$ 855	$ 645
Total segment assets at September 30,	$ 78,356	$ 78,577	$ 78,356	$ 78,577
Development Services				
Development and construction management fees from external customers	$ 6,056	$ 1,760	$ 8,258	$ 3,698
Operating expenses before allocation of corporate overhead	2,040	2,205	6,372	6,580
Operating income (loss) before depreciation, amortization and allocation of corporate overhead	$ 4,016	$ (445)	$ 1,886	$ (2,882)
Total segment assets at September 30,	$ 4,508	$ 7,724	$ 4,508	$ 7,724

Property Management Services				
Property management fees from external customers	$ 2,274	$ 2,229	$ 6,609	$ 6,576
Intersegment revenues	2,809	2,682	8,395	7,929
Total revenues	5,083	4,911	15,004	14,505
Operating expenses before allocation of corporate overhead	1,957	1,816	5,771	5,583
Operating income before depreciation, amortization and allocation of corporate overhead	$ 3,126	$ 3,095	$ 9,233	$ 8,922
Total segment assets at September 30,	$ 4,498	$ 4,715	$ 4,498	$ 4,715
Reconciliations				
Total segment revenues	$ 91,458	$ 79,121	$ 255,297	$ 231,436
Unallocated interest income earned on corporate cash	24	4	29	29
Elimination of intersegment revenues	(2,809)	(2,682)	(8,395)	(7,929)
Total consolidated revenues, including interest income	$ 88,673	$ 76,443	$ 246,931	$ 223,536
Segment operating income before depreciation, amortization and allocation of corporate overhead	$ 28,902	$ 19,680	$ 87,643	$ 65,826
Depreciation and amortization	(21,218)	(18,811)	(58,558)	(59,293)
Net unallocated expenses relating to corporate overhead	(7,347)	(4,697)	(19,463)	(12,894)
Loss from unconsolidated joint ventures	(9)	(907)	(2,134)	(1,944)
Non-cash gain on fair value remeasurement of equity method investment	3,901	-	3,901	-
Income tax provision	(143)	(135)	(428)	(405)
Income (loss) from continuing operations	$ 4,086	$ (4,870)	$ 10,961	$ (8,710)
Total segment assets	$ 2,506,884	$ 2,225,618	$ 2,506,884	$ 2,225,618
Unallocated corporate assets	153,668	74,085	153,668	74,085
Total assets at September 30,	$ 2,660,552	$ 2,299,703	$ 2,660,552	$ 2,299,703

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16. Subsequent Events

Acquisition of Joint Venture: On November 3, 2010, the Company acquired the remaining 90% interest in three student housing properties previously owned in Fund II, a joint venture in which the Company previously held a 10% interest, for a purchase price of approximately $17.8 million. This acquisition consists of two properties in Charlotte, North Carolina located near the campus of the University of North Carolina at Charlotte and one property in Denton, Texas located near the campus of the University of North Texas. As part of the transaction, the Company assumed $46.8 million of fixed-rate mortgage debt with a weighted average annual interest rate of 5.51% and an average term to maturity of 1.92 years. Two of the joint venture properties are not included in the acquisition and will remain in Fund II.

Distributions: On November 3, 2010, the Company declared a third quarter 2010 distribution per share of $0.3375, which will be paid on November 30, 2010 to all common stockholders of record as of November 16, 2010. At the same time, the Operating Partnership will pay an equivalent amount per unit to holders of Common Units, as well as the quarterly cumulative preferential distribution to holders of Series A Preferred Units (see Note 7).

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

Forward-looking Statements

This report contains forward-looking statements within the meaning of the federal securities laws. We caution investors that any forward-looking statements presented in this report, or which management may make orally or in writing from time to time, are based on management's beliefs and assumptions made by, and information currently available to, management. When used, the words "anticipate," "believe," "expect," "intend," "may," "might," "plan," "e "project," "should," "will," "result" and similar expressions, which do not relate solely to historical matters, are intended t identify forward-looking statements. Such statements are subject to risks, uncertainties and assumptions and may be affected by known and unknown risks, trends, uncertainties and factors that are beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. We caution you that while forward-looking statements reflect our good faith beliefs when we make them, they are not guarantees of future performance and are impacted by actual events when they occur after we make such statements. We expressly disclaim any responsibility to update forward-looking statements, whether as a result of new information, future events or otherwise. Accordingly, investors should use caution in relying on past forward-looking statements, which are based on results and trends at the time they were made, to anticipate future results or trends.

Some of the risks and uncertainties that may cause our actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements include, among others, the following: general risks affecting the real estate industry; risks associated with changes in university admission or housing policies; risks associated with the availability and terms of financing and the use of debt to fund acquisitions and developments; failure to manage effectively our growth and expansion into new markets or to integrate acquisitions successfully; risks and uncertainties affecting property development and construction; risks associated with downturns in the national and local economies, volatility in capital and credit markets, increases in interest rates, and volatility in the securities markets; costs of compliance with the Americans with Disabilities Act and other similar laws; potential liability for uninsured losses and environmental contamination; and risks associated with our Company's potential failure to qualify as a REIT under the Internal Revenue Code of 1986 (the "Code"), as amended, and possible adverse changes in tax and environmental laws.

The risks included here are not exhaustive, and additional factors could adversely affect our business and financial performance, including factors and risks included in other sections of this report. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

Our Company and Our Business

American Campus Communities, Inc. (referred to herein as the "Company," "us," "we," and "our") is a real estate investmen trust ("REIT") that was incorporated on March 9, 2004 and commenced operations effective with the completion of our initial public offering ("IPO") on August 17, 2004. Through our controlling interest in American Campus Communities Operating Partnership LP (the "Operating Partnership"), we are one of the largest owners, managers and developers of high quality student housing properties in the United States in terms of beds owned, developed, and under management. We are 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.

As of September 30, 2010, our property portfolio contained 99 student housing properties with approximately 61,400 beds in approximately 19,800 apartment units. Our property portfolio consisted of 92 owned off-campus properties that are in close proximity to colleges and universities, three American Campus Equity ("ACE®") properties operated under ground/facility leases with two university systems and four on-campus participating properties operated under ground/facility leases with the related university systems. As of September 30, 2010, we also owned a noncontrolling interest in one joint venture that owned an aggregate of six student housing properties with approximately 3,000 beds in approximately 900 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 our taxable REIT subsidiaries (“TRS”), we provide construction management and development services, primarily for student housing properties owned by colleges and universities, charitable foundations, and others. As of September 30, 2010, we provided third-party management and leasing services for 36 properties (nine of which we served as the third-party developer and construction manager) that represented approximately 27,800 beds in approximately 10,600 units. Third-party management and leasing services are typically provided pursuant to multi-year management contracts that have initial terms that range from one to five years. As of September 30, 2010, our total owned, joint venture and third-party managed portfolio was comprised of 141 properties with approximately 92,200 beds in approximately 31,300 units.

Third-Party Development Services

Our third-party development and construction management services as of September 30, 2010 consisted of two projects under contract and currently in progress with fees ranging from $2.2 million to $2.5 million. As of September 30, 2010, fees of approximately $1.5 million remained to be earned by us with respect to these two projects, which both have scheduled completion dates of August 2011.

While we believe that our third party development/construction management and property management services allow us to develop strong and key relationships with colleges and universities, revenue from this area has over time become a smaller portion of our operations due to the continued focus on and growth of our wholly-owned property portfolio. Nevertheless, we believe these services continue to provide synergies with respect to our ability to identify, acquire or develop, and successfully operate, student housing properties.

American Campus Equity (“ACE®”) Development Activities

An emerging opportunity in the wholly-owned property segment is the equity investment and ownership of on-campus housing via traditional long-term ground leases. Branded and marketed to colleges and universities as the ACE program, the transaction structure provides us with what we believe is a lower-risk opportunity compared to other off-campus projects, as our ACE projects will have premier on-campus locations with marketing and operational assistance from the university. The subject university substantially benefits by increasing its housing capacity with modern, well-amenitized student housing with no or minimal impacts to its own credit ratios, preserving the university’s credit capacity to fund academic and research facilities.

Acquisitions

On September 1, 2010, we acquired the remaining 90% interest in 11 student housing properties previously owned in a joint venture in which we held a 10% interest, for a purchase price of $74.9 million. The acquired properties contain 6,806 beds located in various markets throughout the country. As part of the transaction, we assumed $193.8 million of fixed-rate mortgage debt with a weighted average annual interest rate of 5.99% and an average term to maturity of 3.8 years. We also assumed a $7.2 million variable-rate mortgage loan that was paid off in September.

On November 3, 2010, we acquired the remaining 90% interest in three student housing properties containing 1,728 beds owned in another joint venture in which we previously held a 10% interest for a purchase price of $17.8 million. As part of the transaction, we assumed $46.8 million in mortgage loan debt at a weighted average interest rate of 5.51%. Two of the joint venture properties were not included in the acquisition and will remain in the existing joint venture.

In July 2010, we acquired a 201-unit, 487-bed wholly-owned property (Sanctuary Lofts) located near the campus of Texas State University in San Marcos, Texas, for a purchase price of $21.4 million, which excludes approximately $1.8 million of anticipated transaction costs, initial integration expenses and capital expenditures necessary to bring this property up to our operating standards. We did not assume any debt as part of this transaction.

Owned Development Activities

Overview: As of September 30, 2010, we were in the process of constructing two owned off-campus properties and one ACE property that will be operated under a ground/facility lease with a related university system. We estimate that the total development costs relating to these activities will be approximately $102.6 million. As of September 30, 2010, we have incurred development costs of approximately $27.3 million in connection with these properties, including land costs of approximately $7.6 million. Remaining development costs are estimated to be approximately $75.3 million. The activities are described below:

Villas at Babcock: As of September 30, 2010, our Villas at Babcock owned off-campus property was under construction with total development costs estimated to be approximately $35.4 million. The project is scheduled to complete construction and open for occupancy in August 2011 and will serve students attending the University of Texas – San Antonio. As of September 30, 2010, the project was approximately 26% complete, and we estimate that remaining development costs will be approximately $22.8 million. As of September 30, 2010, we have funded 100% of the project's development costs and plan to fund the remaining development costs internally.

Lobo Village (formerly University of New Mexico Phase I): As of September 30, 2010, our Lobo Village ACE property was under construction with total development costs estimated to be approximately $39.2 million. The project is scheduled to complete construction and open for occupancy in August 2011 and will serve students attending the University of New Mexico. As of September 30, 2010, the project was approximately 16% complete, and we estimate that remaining development costs will be approximately $30.8 million. As of September 30, 2010, we have funded 100% of the project's development costs and plan to fund the remaining development costs internally.

Villas on Sycamore: As of September 30, 2010, our Villas on Sycamore owned off-campus property was under construction with total development costs estimated to be approximately $28.0 million. The project is scheduled to complete construction and open for occupancy in August 2011 and will serve students attending Sam Houston State University. As of September 30, 2010, the project was approximately 12% complete, and we estimate that remaining development costs will be approximately $21.7 million. As of September 30, 2010, we have funded 100% of the project's development costs and plan to fund the remaining development costs internally.

ATM Equity Program

In May 2010, we announced the establishment of an at-the-market share offering program (the "ATM Equity Program") through which we may issue and sell, from time to time, shares of common stock having an aggregate offering price of up to $150 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. During the three months ended September 30, 2010, we sold approximately 0.3 million shares at weighted average price of $28.42 per share for net proceeds of approximately $8.5 million, after payment of approximately $0.1 million of commissions to the sales agents. We may continue to sell shares of common stock under this program from time to time based on market conditions, although we are not under an obligation to sell any shares. As of September 30, 2010, we had approximately $133.7 million available for issuance under this program.

Property Operations

As of September 30, 2010 our property portfolio consisted of the following:

PROPERTY	YR ACQUIRED / DEVELOPED (1)	LOCATION	PRIMARY UNIVERSITY SERVED	UNITS	BEDS
Wholly-Owned properties:					
1. Villas on Apache	1999	Tempe, AZ	Arizona State University Main Campus	111	288
2. River Club Apartments	1999	Athens, GA	The University of Georgia – Athens	266	792
3. River Walk Townhomes	1999	Athens, GA	The University of Georgia – Athens	100	336
4. The Village at Blacksburg	2000	Blacksburg, VA	Virginia Polytechnic Inst. & State University	288	1,056
5. The Callaway House	2001	College Station, TX	Texas A&M University	173	538
6. The Village at Alafaya Club	2000	Orlando, FL	The University of Central Florida	228	839
7. The Village at Science Drive	2001	Orlando, FL	The University of Central Florida	192	732
8. University Village at Boulder Creek	2002	Boulder, CO	The University of Colorado at Boulder	82	309
9. University Village at Fresno	2004	Fresno, CA	California State University – Fresno	105	406
10. University Village at TU (2)	2004	Philadelphia, PA	Temple University	220	749
11. University Club Townhomes	2005	Tallahassee, FL	Florida State University	152	608
12. The Grove at University Club	2005	Tallahassee, FL	Florida State University	64	128
13. College Club Tallahassee	2005	Tallahassee, FL	Florida A&M University	96	384
14. The Greens at College Club	2005	Tallahassee, FL	Florida A&M University	40	160
15. University Club Apartments	2005	Gainesville, FL	University of Florida	94	376
16. City Parc at Fry Street	2005	Denton, TX	University of North Texas	136	418
17. The Estates	2005	Gainesville, FL	University of Florida	396	1,044
18. University Village at Sweet Home	2005	Amherst, NY	State University of New York – Buffalo	269	828
19. Entrada Real	2006	Tucson, AZ	University of Arizona	98	363
20. Royal Oaks	2006	Tallahassee, FL	Florida State University	82	224
21. Royal Pavilion	2006	Tallahassee, FL	Florida State University	60	204

22. Royal Village Tallahassee	2006	Tallahassee, FL	Florida State University	75	288
23. Royal Village Gainesville	2006	Gainesville, FL	University of Florida	118	448
24. Northgate Lakes	2006	Orlando, FL	The University of Central Florida	194	710
25. Royal Lexington	2006	Lexington, KY	University of Kentucky	94	364
26. The Woods at Greenland	2006	Murfreesboro, TN	Middle Tennessee State University	78	276
27. Raider’s Crossing	2006	Murfreesboro, TN	Middle Tennessee State University	96	276
28. Raider’s Pass	2006	Lubbock, TX	Texas Tech University	264	828
29. Aggie Station	2006	College Station, TX	Texas A&M University	156	450
30. The Outpost - San Marcos	2006	San Marcos, TX	Texas State University – San Marcos	162	486
31. The Outpost - San Antonio	2006	San Antonio, TX	University of Texas – San Antonio	276	828
32. Callaway Villas	2006	College Station, TX	Texas A&M University	236	704
33. The Village on Sixth Avenue	2007	Huntington, WV	Marshall University	248	752
34. Newtown Crossing	2007	Lexington, KY	University of Kentucky	356	942
35. Olde Towne University Square	2007	Toledo, OH	University of Toledo	224	550
36. Peninsular Place	2007	Ypsilanti, MI	Eastern Michigan University	183	478
37. University Centre	2007	Newark, NJ	Rutgers University, NJIT, Essex CCC	234	838
38. Sunnyside Commons	2008	Morgantown, WV	West Virginia University	68	161
39. Pirate’s Place Townhomes	2008	Greenville, NC	East Carolina University	144	528
40. The Highlands	2008	Reno, NV	University of Nevada at Reno	216	732
41. Jacob Heights I	2008	Mankato, MN	Minnesota State University	42	162

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PROPERTY	YR ACQUIRED / DEVELOPED (1)	LOCATION	PRIMARY UNIVERSITY SERVED	UNITS	BEDS
42. Jacob Heights III	2008	Mankato, MN	Minnesota State University	24	96
43. The Summit	2008	Mankato, MN	Minnesota State University	192	672
44. GrandMarc – Seven Corners	2008	Minneapolis, MN	University of Minnesota	186	440
45. University Village – Sacramento	2008	Sacramento, CA	California State University – Sacramento	250	394
46. Aztec Corner	2008	San Diego, CA	San Diego State University	180	606
47. University Crossings	2008	Philadelphia, PA	University of Pennsylvania / Drexel	260	1,016
48. Campus Corner	2008	Bloomington, IN	Indiana University	254	796
49. Tower at 3rd	2008	Champaign, IL	University of Illinois	187	375
50. University Mills	2008	Cedar Falls, IA	University of Northern Iowa	121	481
51. Pirates Cove	2008	Greenville, NC	East Carolina University	264	1,056
52. University Manor	2008	Greenville, NC	East Carolina University	168	600
53. Brookstone Village	2008	Wilmington, NC	UNC – Wilmington	124	238
54. Campus Walk – Wilmington	2008	Wilmington, NC	UNC – Wilmington	289	290
55. Campus Club – Statesboro	2008	Statesboro, GA	Georgia Southern University	276	984
56. University Pines	2008	Statesboro, GA	Georgia Southern University	144	552
57. Lakeside Apartments	2008	Athens, GA	University of Georgia	244	776
58. The Club	2008	Athens, GA	University of Georgia	120	480
59. The Edge - Orlando	2008	Orlando, FL	Central Florida	306	930
60. University Place	2008	Charlottesville, VA	University of Virginia	144	528
61. Southview Apartments	2008	Harrisonburg, VA	James Madison University	240	960
62. Stone Gate Apartments	2008	Harrisonburg, VA	James Madison University	168	672
63. The Commons	2008	Harrisonburg, VA	James Madison University	132	528
64. University Gables	2008	Murfreesboro, TN	Middle Tennessee State University	168	648
65. Campus Ridge	2008	Johnson City, TN	East Tennessee State University	132	528
66. The Enclave I	2008	Bowling Green, OH	Bowling Green State University	120	480
67. Hawks Landing	2008	Oxford, OH	Miami University of Ohio	122	484
68. Willow Tree Apartments	2008	Ann Arbor, MI	University of Michigan	310	568
69. Willow Tree Towers	2008	Ann Arbor, MI	University of Michigan	163	283
70. Abbott Place	2008	East Lansing, MI	Michigan State University	222	654

71. The Centre	2008	Kalamazoo, MI	Western Michigan University	232	700
72. University Meadows	2008	Mt. Pleasant, MI	Central Michigan University	184	616
73. Campus Way	2008	Tuscaloosa, AL	University of Alabama	196	684
74. Campus Trails	2008	Starkville, MS	Mississippi State University	156	480
75. University Pointe	2008	Lubbock, TX	Texas Tech University	204	682
76. University Trails	2008	Lubbock, TX	Texas Tech University	240	684
77. Vista del Sol - ACE (3)	2008	Tempe, AZ	Arizona State University	613	1,866
78. Villas at Chestnut Ridge	2008	Amherst, NY	State University of New York – Buffalo	196	552
79. Barrett Honors College - ACE (3)	2009	Tempe, AZ	Arizona State University	604	1,721
80. University Heights	2010	Birmingham, AL	University of Alabama at Birmingham	176	528
81. Sanctuary Lofts	2010	San Marcos, TX	Texas State University – San Marcos	201	487
82. Lions Crossing	2010	State College, PA	Penn State University	204	696
83. Nittany Crossing	2010	State College, PA	Penn State University	204	684
84. State College Park	2010	State College, PA	Penn State University	196	752
85. The View	2010	Lincoln, NE	University of Nebraska	157	590

PROPERTY	YEAR ACQUIRED / DEVELOPED (1)	LOCATION	PRIMARY UNIVERSITY SERVED	UNITS	BEDS
86. Chapel Ridge	2010	Chapel Hill, NC	UNC – Chapel Hill	180	544
87. Chapel View	2010	Chapel Hill, NC	UNC – Chapel Hill	224	358
88. University Oaks	2010	Columbia, SC	University of South Carolina	181	662
89. Blanton Commons	2010	Valdosta, GA	Valdosta State University	276	860
90. Burbank Commons	2010	Baton Rouge, LA	Louisiana State University	134	532
91. University Crescent	2010	Baton Rouge, LA	Louisiana State University	192	612
92. University Greens	2010	Norman, OK	University of Oklahoma	156	516
93. Villas at Babcock (4)	2011	San Antonio, TX	University of Texas-San Antonio	204	792
94. Lobo Village (5)	2011	Albuquerque, NM	University of New Mexico	216	864
95. Villas on Sycamore (4)	2011	Huntsville, TX	Sam Houston State University	170	680
Total wholly-owned properties				17,922	56,840
On-campus participating properties:					
96. University Village – PVAMU	1996 / 97 / 98	Prairie View, TX	Prairie View A&M University	612	1,920
97. University College – PVAMU	2000 / 2003	Prairie View, TX	Prairie View A&M University	756	1,470
98. University Village – TAMIU	1997	Laredo, TX	Texas A&M International University	84	250
99. Cullen Oaks – Phase I and II	2001 / 2006	Houston, TX	The University of Houston	411	879
Total on-campus participating properties				1,863	4,519
Total – all properties				19,785	61,359

(1) As of September 30, 2010, the average age of our wholly-owned properties was approximately 11.3 years.

(2) Subject to a 75-year ground lease with Temple University.

(3) Subject to a 65-year ground/facility lease with Arizona State University.

(4) Currently under development with a scheduled completion date of August 2011.

(5) Currently under development with a scheduled completion date of August 2011. Subject to a 40-year ground/facility lease with the University of New Mexico.

Results of Operations

Comparison of the Three Months Ended September 30, 2010 and September 30, 2009

The following table presents our results of operations for the three months ended September 30, 2010 and 2009, including the amount and percentage change in these results between the two periods:

	Three Months Ended September 30,			
	2010	2009	Change ($)	Change (%)
Revenues				
Wholly-owned properties	$ 75,210	$ 67,713	$7,497	11.1 %
On-campus participating properties	4,654	4,433	221	5.0 %
Third party development services	6,056	1,760	4,296	244.1 %
Third party management services	2,274	2,229	45	2.0 %
Resident services	437	288	149	51.7 %
Total revenues	88,631	76,423	12,208	16.0 %
Operating expenses				
Wholly-owned properties	41,661	37,633	4,028	10.7 %
On-campus participating properties	2,857	2,690	167	6.2 %
Third party development and management services	2,754	2,842	(88)	(3.1 %)
General and administrative	3,716	2,667	1,049	39.3 %
Depreciation and amortization	19,980	17,977		