AMERICAN CAMPUS COMMUNITIES INC
Form 10-Q
November 10, 2008

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, 2008.

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.
Large accelerated filer x Accelerated Filer o Non-accelerated filer 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 42,305,883 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 November 3, 2008.

FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2008

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AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES

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

	September 30, 2008 (Unaudited)	December 31, 2007
Assets		
Investments in real estate:		
Wholly-owned properties, net	$ 1,979,090	$ 947,062
On-campus participating properties, net	70,313	72,905
Investments in real estate, net	2,049,403	1,019,967
Cash and cash equivalents	37,300	12,073
Restricted cash	30,183	13,855
Student contracts receivable, net	4,806	3,657
Other assets	70,110	26,744
Total assets	$ 2,191,802	$ 1,076,296
Liabilities and stockholders' equity		
Liabilities:		
Secured debt	$ 1,154,376	$ 533,430
Secured term loan	100,000	—
Unsecured revolving credit facility	—	9,600
Accounts payable and accrued expenses	39,213	14,360
Other liabilities	61,744	43,278
Total liabilities	1,355,333	600,668
Minority interests	29,038	31,251
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Preferred stock	131	—
Common shares, $.01 par value, 800,000,000 shares authorized, 42,305,883 and 27,275,491 shares issued and outstanding at September 30, 2008 and December 31, 2007, respectively	422	273
Additional paid in capital	903,003	494,160
Accumulated earnings and distributions	(94,021)	(48,181)
Accumulated other comprehensive loss	(2,104)	(1,875)
Total stockholders' equity	807,431	444,377
Total liabilities and stockholders' equity	$ 2,191,802	$ 1,076,296

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, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Revenues:				
Wholly-owned properties	$ 60,663	$ 30,045	$ 129,638	$ 85,197
On-campus participating properties	4,301	4,083	14,993	14,160
Third party development services	4,483	1,347	6,790	2,325
Third party development services – on-campus participating properties	36	36	108	109
Third party management services	2,041	627	4,185	1,999
Resident services	610	380	1,409	1,044
Total revenues	72,134	36,518	157,123	104,834
Operating expenses:				
Wholly-owned properties	38,812	16,368	69,435	41,276
On-campus participating properties	3,274	2,317	8,068	6,842
Third party development and management services	3,277	1,484	7,713	3,925
General and administrative	3,191	2,286	8,562	15,804
Depreciation and amortization	18,148	7,797	37,291	22,535
Ground/facility leases	508	473	1,235	1,263
Total operating expenses	67,210	30,725	132,304	91,645
Operating income	4,924	5,793	24,819	13,189
Nonoperating income and (expenses):				
Interest income	244	221	1,048	1,242
Interest expense	(17,022)	(7,560)	(32,734)	(20,940)
Amortization of deferred financing costs	(832)	(324)	(1,591)	(936)
Loss from unconsolidated joint ventures	(926)	—	(1,181)	—
Other nonoperating income	486	—	486	—
Total nonoperating expenses	(18,050)	(7,663)	(33,972)	(20,634)
Loss before income taxes, minority interests, and discontinued operations	(13,126)	(1,870)	(9,153)	(7,445)
Income tax provision	(128)	(576)	(261)	(696)
Minority interests	275	77	(198)	309
Loss from continuing operations	(12,979)	(2,369)	(9,612)	(7,832)
Discontinued operations:				
Loss attributable to discontinued operations	(115)	—	(23)	—
Net loss	$ (13,094)	$ (2,369)	$ (9,635)	$ (7,832)

Loss per share – basic:								
Loss from continuing operations per share	$	(0.31)	$	(0.10)	$	(0.27)	$	(0.34)
Net loss per share	$	(0.31)	$	(0.10)	$	(0.27)	$	(0.34)
Loss per share – diluted:								
Loss from continuing operations per share	$	(0.30)	$	(0.10)	$	(0.26)	$	(0.33)
Net loss per share	$	(0.31)	$	(0.10)	$	(0.26)	$	(0.33)
Weighted average common shares outstanding:								
Basic		42,314,175		23,563,651		35,139,189		23,261,475
Diluted		43,577,493		25,320,144		36,549,728		25,273,845
Distributions declared per common share	$	0.3375	$	0.3375	$	1.0125	$	1.0125

See accompanying notes to consolidated financial statements.

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AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited, in thousands)

	Nine Months Ended September 30,	
	2008	2007
Net loss	$ (9,635)	$ (7,832)
Other comprehensive loss:		
Change in fair value of interest rate swaps	(48)	(917)
Net comprehensive loss	$ (9,683)	$ (8,749)

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, 2008	Nine Months Ended September 30, 2007
Operating activities		
Net loss	$ (9,635)	$ (7,832)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Minority interests share of loss	198	(309)
Depreciation and amortization	37,291	22,535
Amortization of deferred financing costs and debt premiums/discounts	868	(165)
Share-based compensation	1,512	4,662
Loss from unconsolidated joint ventures	1,181	—
Amortization of gain on interest rate swap termination	(181)	(151)
Income tax provision	248	696
Changes in operating assets and liabilities:		
Restricted cash	(2,499)	(2,116)
Student contracts receivable, net	336	(1,137)
Other assets	(8,079)	(5,471)
Accounts payable and accrued expenses	1,035	(8)
Other liabilities	685	998
Net cash provided by operating activities	22,960	11,702
Investing activities		
Net proceeds from dispositions of real estate	4,418	—
Cash paid for property acquisitions	(286,350)	(43,183)
Cash paid for land purchases	(3,226)	—
Investments in wholly-owned properties	(115,552)	(92,863)
Investments in unconsolidated joint ventures	(10,610)	—
Investments in on-campus participating properties	(637)	(402)
Purchase of corporate furniture, fixtures and equipment	(1,875)	(347)
Distributions received from unconsolidated JVs	15	—
Net cash used in investing activities	(413,817)	(136,795)
Financing activities		
Proceeds from sale of common stock	264,500	—
Offering costs	(12,264)	—
Proceeds from sale of preferred stock	131	—
Pay-off of mortgage loans	(24,225)	—
Proceeds from contribution of properties to joint venture	74,368	—
Proceeds from secured term loan	100,000	—
Revolving credit facility, net	(9,600)	47,900
Proceeds from construction loans	70,629	30,613
Principal payments on debt	(7,569)	(6,251)
Change in construction accounts payable	3,715	12,165
Debt issuance and assumption costs	(5,757)	(1,638)
Distributions to common and restricted stockholders	(36,254)	(23,722)
Distributions to minority partners	(1,590)	(2,229)
Net cash provided by financing activities	416,084	56,838

Net change in cash and cash equivalents	$	25,227	$	(68,255)
Cash and cash equivalents at beginning of period		12,073		79,107
Cash and cash equivalents at end of period	$	37,300	$	10,852
Supplemental disclosure of non-cash investing and financing activities				
Issuance of common stock in connection with company acquisition	$	(154,739)	$	—
Issuance of Common Units in connection with company acquisition	$	(199)	$	—
Loans assumed in connection with property acquisitions	$	(615,175)	$	(88,307)
Contribution of land from minority partner in development joint venture	$	—	$	2,756
Change in fair value of derivative instruments, net	$	(48)	$	(917)
Supplemental disclosure of cash flow information				
Interest paid	$	33,905	$	24,289

See accompanying notes to consolidated financial statements.

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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.

On April 23, 2008, the Company completed an equity offering, consisting of the sale of 9,200,000 shares of the Company's common stock at a price of $28.75 per share, including the exercise of 1,200,000 shares issued as a result of the exercise of the underwriters' overallotment option in full at closing. The offering generated gross proceeds of $264.5 million. The aggregate proceeds to the Company, net of the underwriting discount, structuring fee and expenses of the offering, was approximately $252.1 million.

As of September 30, 2008, the Company's property portfolio contained 86 student housing properties with approximately 52,800 beds and approximately 17,500 apartment units, including 40 properties containing approximately 23,500 beds and approximately 7,500 units added as a result of the Company's acquisition on June 11, 2008 of the student housing business of GMH Communities Trust ("GMH"), as more fully discussed in Note 3 herein. The Company's property portfolio consisted of 80 owned off-campus properties that are in close proximity to colleges and universities, two American Campus Equity ("ACETM") properties operated under ground/facility leases with a related university system and four on-campus participating properties operated under ground/facility leases with the related university systems. As of September 30, 2008, the Company also owned a minority interest in joint ventures that owned an aggregate of 21 student housing properties with approximately 12,100 beds in approximately 3,600 units. The Company's communities contain modern housing units, offer resort-style amenities and are supported by a resident assistant system and other student-oriented programming.

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, 2008, the Company provided third-party management and leasing services for 35 properties (six of which the Company served as the third-party developer and construction manager) that represented approximately 25,200 beds in approximately 9,100 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, 2008, the Company's total owned, joint venture and third-party managed portfolio was comprised of 142 properties with approximately 90,100 beds in approximately 30,200 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 minority interests in the consolidated financial statements. The Company also has a non-controlling interest in three unconsolidated joint ventures, which are accounted for under the equity method. All significant 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.

New Accounting Pronouncements

Effective January 1, 2008, the Company adopted Statement of Financial Accounting Standard (“SFAS”) No. 157, “Fair Value Measurements” and SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities.” SFAS No. 157 defines fair value, establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measurements. SFAS No. 159 permits an entity to elect fair value as the initial and subsequent measurement method for financial assets and liabilities. The Company has not elected the fair value option for any financial instruments, however does reserve the right to elect to measure future eligible financial assets or liabilities at fair value. The adoption of SFAS No. 157 and SFAS No. 159 did not have a material impact on the Company’s consolidated financial statements. See Note 13 herein for a detailed discussion of fair value disclosures.

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

Pending Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations," which replaces SFAS No. 141, " Business Combinations," which, among other things, establishes principles and requirements for how an acquirer entity recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed (including intangibles) and any noncontrolling interests in the acquired entity. SFAS No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company is currently evaluating what impact the adoption of SFAS No. 141(R) will have on its consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51." SFAS No. 160 amends ARB 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It also amends certain of ARB 51's consolidation procedures for consistency with the requirements of SFAS No. 141(R). SFAS No. 160 is effective for the Company beginning January 1, 2009. The Company is currently evaluating what impact the adoption of SFAS No. 160 will have on its consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities," which is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. SFAS No. 161 will be effective for the Company beginning January 1, 2009. The Company is currently evaluating what impact the adoption of SFAS No. 161 will have on its consolidated financial statements, but anticipates it will only result in additional disclosures regarding derivative instruments.

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, 2007.

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 is 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

AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES
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The cost of buildings and improvements includes the purchase price of the property, including legal fees and acquisition costs. 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 \$1.1 million and \$1.4 million was capitalized during the three months ended September 30, 2008 and 2007, respectively, and \$4.7 million and \$4.0 million was capitalized during the nine months ended September 30, 2008 and 2007, respectively. Amortization of deferred financing costs totaling approximately \$35,000 and \$0.1 million was capitalized during the three months ended September 30, 2008 and 2007, respectively, and approximately \$0.2 million and \$0.3 million was capitalized during the nine months ended September 30, 2008 and 2007, respectively.

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 cash flows (undiscounted and before interest charges) 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, 2008.

The Company allocates the purchase price of acquired properties to net tangible and identified intangible assets based on relative fair values in accordance with SFAS No. 141, Business Combinations. 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. The Company's allocation of purchase price is contingent upon the receipt of final third-party appraisals and additional analyses necessary to finalize the allocation.

Intangible Assets

In connection with property acquisitions completed during the nine months ended September 30, 2008 and 2007, the Company capitalized approximately \$16.8 million and \$1.2 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. The Company also capitalized \$1.5 million related to management's estimate of the fair value of third-party management contracts acquired from GMH in June 2008. These intangible assets are amortized on a straight-line basis over the average remaining term of the contracts. The amortization 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, 2008.

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, 2008 and December 31, 2007, unamortized debt premiums were $6.2 million and $5.0 million, respectively, and unamortized debt discounts were $10.9 million and $0.7 million, respectively. Debt premiums and discounts are included in secured debt on the accompanying consolidated balance sheets.

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

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 collectibility 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.

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, 2008, the Company deferred approximately $4.5 million in pre-development costs related to third-party and owned development projects that had not yet commenced construction. Pre-development costs 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 determines consolidation based on standards set forth in FASB Interpretation No. 46R, Consolidation of Variable Interest Entities ("FIN 46") and Emerging Issues Task Force (EITF) Issue No. 04-5, Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights. For joint ventures that are variable interest entities as defined under FIN 46 where the Company is not the primary beneficiary, it does not consolidate the joint venture for financial reporting purposes. Based on the guidance set forth in EITF 04-5, the Company consolidates certain joint venture investments because it exercises significant control over major operating decisions, such as approval of budgets, property management, investment activity and changes in financing. For joint ventures under EITF 04-5, where the Company does not exercise significant control over major operating and management decisions, but where it exercises significant influence, the Company uses the equity method of accounting and does not consolidate the joint venture for financial reporting purposes.

Income Taxes

The Company and GMH have elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"). To qualify as a REIT, these entities must meet a number of organizational and operational requirements, including a requirement that they currently distribute at least 90% of their adjusted taxable income to their stockholders. As REITs, these entities will generally not be subject to corporate level federal income tax on taxable income they currently distribute to their stockholders. If the entities fail to qualify as a REIT in any taxable year, they 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 these entities qualify for taxation as a REIT, they may be subject to certain state and local income and excise taxes on their income and property, and to federal income and excise taxes on their undistributed income.

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

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

Earnings Per Share

Basic earnings per share is computed using net income (loss) and the weighted average number of shares of the Company's common stock outstanding during the period. Diluted earnings per share reflects weighted average common shares issuable from the assumed conversion of restricted stock awards ("RSAs") granted to employees and common and preferred units of limited partnership interest in the Operating Partnership ("Common Units" and "Series A Preferred Units," respectively). See Note 7 for a discussion of Common Units and Series A Preferred Units.

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,	
	2008	2007	2008	2007
Basic earnings per share calculation:				
Loss from continuing operations	$ (12,979)	$ (2,369)	$ (9,612)	$ (7,832)
Loss from discontinued operations	(115)	—	(23)	—
Net loss	$ (13,094)	$ (2,369)	$ (9,635)	$ (7,832)
Loss from continuing operations – per share	$ (0.31)	$ (0.10)	$ (0.27)	$ (0.34)
Loss from discontinued operations – per share	$ —	$ —	$ —	$ —
Net loss – per share	$ (0.31)	$ (0.10)	$ (0.27)	$ (0.34)
Basic weighted average common shares outstanding	42,314,175	23,563,651	35,139,189	23,261,475
Diluted earnings per share calculation:				
Loss from continuing operations	$ (12,979)	$ (2,369)	$ (9,612)	$ (7,832)
Series A Preferred Unit distributions	46	46	138	138
Loss from continuing operations allocated to Common Units	(349)	(152)	(125)	(569)
Loss from continuing operations, as adjusted	(13,282)	(2,475)	(9,599)	(8,263)
Loss from discontinued operations	(115)	—	(23)	—
Loss from discontinued operations allocated to Common Units	(3)	—	(1)	—
Loss from discontinued operations, as adjusted	(118)	—	(24)	—
Net loss, as adjusted	$ (13,400)	$ (2,475)	$ (9,623)	$ (8,263)
Loss from continuing operations – per share	$ (0.30)	$ (0.10)	$ (0.26)	$ (0.33)
Loss from discontinued operations – per share	$ (0.01)	$ —	$ —	$ —
Net loss – per share	$ (0.31)	$ (0.10)	$ (0.26)	$ (0.33)
Basic weighted average common shares outstanding	42,314,175	23,563,651	35,139,189	23,261,475

Common Units	1,148,355	1,641,530	1,295,576	1,897,407
Series A Preferred Units	114,963	114,963	114,963	114,963
Diluted weighted average common shares Outstanding (1)	43,577,493	25,320,144	36,549,728	25,273,845

(1) 283,174 and 173,569 weighted average RSAs are excluded from diluted weighted average common shares outstanding for the three months ended September 30, 2008 and 2007, respectively, and 277,749 and 163,724 weighted average RSAs are excluded from diluted weighted average common shares outstanding for the nine months ended September 30, 2008 and 2007, respectively, because they would be anti-dilutive due to the Company's loss position for these periods.

AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES
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3. Property Acquisitions

On June 11, 2008, the Company completed the acquisition of GMH's student housing business pursuant to an Agreement and Plan of Merger dated as of February 11, 2008 (the "Merger Agreement"). At the time of closing, the GMH student housing portfolio consisted of 42 wholly-owned properties containing 24,953 beds located in various markets throughout the country. Two of the acquired wholly-owned properties were sold during the third quarter (see Note 4).

The aggregate consideration paid for the merger was as follows:

Fair value of the Company's common stock issued	$ 154,739
Fair value of Common Units issued	199
Cash consideration paid for GMH common shares and partnership units	239,616
Merger costs	49,012
Total consideration	443,566
Fair value of mortgage loans assumed (see Note 9)	598,804
Total purchase price	$ 1,042,370

Under the terms of the Merger Agreement, each GMH common share and each unit in GMH Communities, LP (the "GMH Operating Partnership") issued and outstanding as of the date of the Merger Agreement, received cash consideration of $3.36 per share and 0.07642 of a share of the Company's common stock, or at the election of the GMH Operating Partnership unitholder, 0.07642 of a unit in the Operating Partnership. The value of the Company's common stock and Common Units issued was based on the closing price of the Company's common stock on February 11, 2008. The Company issued 5.4 million shares of common stock and 7,004 Common Units valued at $28.43 per share.

In connection with the merger, the Company incurred approximately $49.0 million of merger costs related to severance, legal, banking, accounting and finance costs, of which approximately $8.9 million had not been paid as of September 30, 2008.

Concurrent with the closing of the GMH acquisition, the Company formed a joint venture with a wholly-owned subsidiary of Fidelity Real Estate Growth Fund III, LP ("Fidelity") and transferred 15 GMH student housing properties to the venture with an estimated value of $325.9 million. The Company also assumed GMH's equity interest in an existing joint venture with Fidelity that owns six properties. The Company serves as property manager for all of the joint venture properties and owns a 10% equity interest in these joint ventures.

In February 2008, the Company acquired a 144-unit, 528-bed property (Pirate's Place) located near the campus of East Carolina University in Greenville, North Carolina, for a purchase price of $10.6 million, which excludes $0.8 million of transaction costs, initial integration expenses and capital expenditures necessary to bring this property up to the Company's operating standards. As part of the transaction, the Company assumed approximately $7.0 million in fixed-rate mortgage debt with an annual interest rate of 7.15% and remaining term to maturity of 14.9 years.

In February 2008, the Company also acquired a 68-unit, 161-bed property (Sunnyside Commons) located near the campus of West Virginia University in Morgantown, West Virginia, for a purchase price of $7.5 million, which excludes $0.6 million of 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.

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The acquired properties' results of operations have been included in the accompanying consolidated statements of operations since their respective acquisition closing dates. The following pro forma information for the three and nine months ended September 30, 2008 and 2007 presents consolidated financial information for the Company as if the property acquisitions discussed above, the Company's 2007 acquisitions and the Company's October 2007 and April 2008 equity offerings had occurred at the beginning of the earliest period presented. The unaudited pro forma information is provided for informational purposes only and is not indicative of results that would have occurred or which may occur in the future:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Total revenues	$ 72,134	$ 63,687	$ 212,979	$ 201,267
Net loss	$ (10,016)	$ (9,617)	$ (2,695)	$ (14,724)
Net loss per share – basic	$ (0.24)	$ (0.23)	$ (0.06)	$ (0.36)
Net loss per share – diluted	$ (0.23)	$ (0.23)	$ (0.06)	$ (0.35)

4. Property Dispositions and Discontinued Operations

As part of the acquisition of GMH on June 11, 2008, the Company acquired two properties (The Courtyards and The Verge) that were under contract to be sold as of such date. The Courtyards was sold in July for approximately $17.4 million, resulting in net cash proceeds of approximately $0.4 million, and The Verge was sold in August for approximately $36.4 million, resulting in net proceeds of approximately $3.6 million. There was no loss recorded on these dispositions for book purposes.

The related net loss of the aforementioned properties is reflected in the accompanying consolidated statements of operations as discontinued operations for the three and nine months ended September 30, 2008. Below is a summary of the results of operations for The Courtyards and The Verge through their respective disposition dates:

	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2008
Total revenues	$ 553	$ 895
Total operating expenses	(473)	(579)
Operating income	80	316
Total nonoperating expense	(195)	(339)
Net loss	$ (115)	$ (23)

5. Investments in Wholly-owned Properties

Wholly-owned properties consisted of the following:

	September 30, 2008	December 31, 2007
Land	$ 224,188	$ 102,109
Buildings and improvements	1,733,339	768,551
Furniture, fixtures and equipment	79,396	42,225
Construction in progress	41,330	104,540
	2,078,253	1,017,425
Less accumulated depreciation	(99,163)	(70,363)

Wholly-owned properties, net	$	1,979,090	$	947,062

The Company completed the acquisition of GMH on June 11, 2008 and the acquired properties are included in the wholly-owned properties, net balance as of September 30, 2008. The Company's allocation of the purchase price for GMH is contingent upon the receipt of final third-party appraisals and additional analyses necessary to finalize the allocation.

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.

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