

AMERICAN CAMPUS COMMUNITIES INC
Form 10-Q
May 06, 2016
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2016.

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

For the Transition Period From _____ to _____

Commission file number 001-32265 (American Campus Communities, Inc.)

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

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

Maryland (American Campus Communities, Inc.)	76-0753089 (American Campus Communities, Inc.)
Maryland (American Campus Communities Operating Partnership, L.P.)	56-2473181 (American Campus Communities Operating Partnership, L.P.)
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)

12700 Hill Country Blvd., Suite T-200	78738
Austin, TX	(Zip Code)
(Address of Principal Executive Offices)	

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

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

American Campus Communities, Inc. Yes x No o

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

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

American Campus Communities, Inc. Yes x No o

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting

company” in Rule 12b-2 of the Exchange Act.

American Campus Communities,

Inc.

Large accelerated filer Accelerated Filer

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

American Campus Communities Operating Partnership, L.P.

Large accelerated filer Accelerated Filer

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

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

American Campus Communities, Inc. Yes No

American Campus Communities Operating Partnership, L.P. Yes No

There were 130,443,384 shares of the American Campus Communities, Inc.'s common stock with a par value of \$0.01 per share outstanding as of the close of business on April 29, 2016.

EXPLANATORY NOTE

This report combines the reports on Form 10-Q for the quarterly period ended March 31, 2016 of American Campus Communities, Inc. and American Campus Communities Operating Partnership, L.P. Unless stated otherwise or the context otherwise requires, references to “ACC” mean American Campus Communities, Inc., a Maryland real estate investment trust (“REIT”), and references to “ACCOP” mean American Campus Communities Operating Partnership, L.P., a Maryland limited partnership. References to the “Company,” “we,” “us” or “our” mean collectively ACC, ACCOP and those entities/subsidiaries owned or controlled by ACC and/or ACCOP. References to the “Operating Partnership” mean collectively ACCOP and those entities/subsidiaries owned or controlled by ACCOP. The following chart illustrates the Company’s and the Operating Partnership’s corporate structure:

The general partner of ACCOP is American Campus Communities Holdings, LLC (“ACC Holdings”), an entity that is wholly-owned by ACC. As of March 31, 2016, ACC Holdings held an ownership interest in ACCOP of less than 1%. The limited partners of ACCOP are ACC and other limited partners consisting of current and former members of management and nonaffiliated third parties. As of March 31, 2016, ACC owned an approximate 98.9% limited partnership interest in ACCOP. As the sole member of the general partner of ACCOP, ACC has exclusive control of ACCOP’s day-to-day management. Management operates the Company and the Operating Partnership as one business. The management of ACC consists of the same members as the management of ACCOP. The Company is structured as an umbrella partnership REIT (“UPREIT”) and ACC contributes all net proceeds from its various equity offerings to the Operating Partnership. In return for those contributions, ACC receives a number of units of the Operating Partnership (“OP Units,” see definition below) equal to the number of common shares it has issued in the equity offering. Contributions of properties to the Company can be structured as tax-deferred transactions through the issuance of OP Units in the Operating Partnership. Based on the terms of ACCOP’s partnership agreement, OP Units can be exchanged for ACC’s common shares on a one-for-one basis. The Company maintains a one-for-one relationship between the OP Units of the Operating Partnership issued to ACC and ACC Holdings and the common shares issued to the public. The Company believes that combining the reports on Form 10-Q of ACC and ACCOP into this single report provides the following benefits:

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

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

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

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

FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, 2016
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AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	March 31, 2016 (Unaudited)	December 31, 2015
Assets		
Investments in real estate:		
Wholly-owned properties, net	\$5,574,096	\$ 5,522,271
Wholly-owned properties held for sale	—	55,354
On-campus participating properties, net	88,990	90,129
Investments in real estate, net	5,663,086	5,667,754
Cash and cash equivalents	387,273	16,659
Restricted cash	40,312	33,675
Student contracts receivable, net	7,024	18,475
Other assets	269,842	269,685
Total assets	\$6,367,537	\$ 6,006,248
Liabilities and equity		
Liabilities:		
Secured mortgage, construction and bond debt	\$1,087,716	\$ 1,094,962
Unsecured notes	1,187,175	1,186,700
Unsecured term loans	348,376	597,719
Unsecured revolving credit facility	—	68,900
Accounts payable and accrued expenses	49,306	71,988
Other liabilities	155,033	144,811
Total liabilities	2,827,606	3,165,080
Commitments and contingencies (Note 14)		
Redeemable noncontrolling interests	66,133	59,511
Equity:		
American Campus Communities, Inc. and Subsidiaries stockholders' equity:		
Common stock, \$0.01 par value, 800,000,000 shares authorized, 130,433,194 and 112,350,877 shares issued and outstanding at March 31, 2016 and December 31, 2015, respectively	1,304	1,124
Additional paid in capital	4,026,045	3,325,806
Treasury stock, at cost, 10,190 and 10,155 shares at March 31, 2016 and December 31, 2015, respectively	(405) (403
Accumulated earnings and dividends	(557,427) (550,501
Accumulated other comprehensive loss	(7,240) (5,830
Total American Campus Communities, Inc. and Subsidiaries stockholders' equity	3,462,277	2,770,196
Noncontrolling interests - partially owned properties	11,521	11,461

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Total equity	3,473,798	2,781,657
Total liabilities and equity	\$6,367,537	\$ 6,006,248

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, except share and per share data)

	Three Months Ended March 31,	
	2016	2015
Revenues		
Wholly-owned properties	\$185,702	\$179,898
On-campus participating properties	10,046	9,200
Third-party development services	1,035	564
Third-party management services	2,410	2,001
Resident services	802	830
Total revenues	199,995	192,493
Operating expenses		
Wholly-owned properties	78,851	79,010
On-campus participating properties	3,042	2,668
Third-party development and management services	3,738	3,139
General and administrative	5,309	4,751
Depreciation and amortization	53,716	50,651
Ground/facility leases	2,304	2,098
Total operating expenses	146,960	142,317
Operating income	53,035	50,176
Nonoperating income and (expenses)		
Interest income	1,279	1,112
Interest expense	(22,627)	(21,988)
Amortization of deferred financing costs	(2,542)	(1,379)
Gain from disposition of real estate	17,409	44,252
Loss from early extinguishment of debt	—	(595)
Total nonoperating (expenses) income	(6,481)	21,402
Income before income taxes	46,554	71,578
Income tax provision	(345)	(311)
Net income	46,209	71,267
Net income attributable to noncontrolling interests		
Redeemable noncontrolling interests	(518)	(747)
Partially owned properties	(104)	(323)
Net income attributable to noncontrolling interests	(622)	(1,070)
Net income attributable to ACC, Inc. and Subsidiaries common stockholders	\$45,587	\$70,197
Other comprehensive loss		
Change in fair value of interest rate swaps and other	(1,410)	(1,868)
Comprehensive income	\$44,177	\$68,329
Income per share attributable to ACC, Inc. and Subsidiaries common stockholders		

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Basic	\$0.37	\$ 0.63
Diluted	\$0.36	\$ 0.62
Weighted-average common shares outstanding		
Basic	123,445,985	10,955,099
Diluted	124,266,312	12,974,505
Distributions declared per common share	\$0.40	\$ 0.38

See accompanying notes to consolidated financial statements.

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

	Common Shares	Par Value of Common Shares	Additional Paid Capital	Treasury Stock	Treasury Stock at Cost	Accumulated Earnings and Dividends	Accumulated Other Comprehensive Loss	Noncontrolling Interests – Partially Owned Properties	Total
Equity, December 31, 2015	112,350,877	\$1,124	\$3,325,806	10,155	\$(403)	\$(550,501)	\$(5,830)	\$11,461	\$2,781,657
Adjustments to reflect redeemable noncontrolling interests at fair value	—	—	(6,833)	—	—	—	—	—	(6,833)
Amortization of restricted stock awards	—	—	2,651	—	—	—	—	—	2,651
Vesting of restricted stock awards and restricted stock units	127,317	1	(2,977)	35	(2)	—	—	—	(2,978)
Distributions to common and restricted stockholders	—	—	—	—	—	(52,513)	—	—	(52,513)
Distributions to noncontrolling interests - partially owned properties	—	—	—	—	—	—	—	(100)	(100)
Conversion of operating partnership units to common stock	15,000	—	163	—	—	—	—	—	163
Net proceeds from sale of common stock	17,940,000	179	707,235	—	—	—	—	—	707,414
Change in fair value of interest rate swaps	—	—	—	—	—	—	(1,513)	—	(1,513)
Amortization of interest rate swap	—	—	—	—	—	—	103	—	103

terminations									
Contributions									
by									
noncontrolling	—	—	—	—	—	—	—	56	56
partners									
Net income	—	—	—	—	—	45,587	—	104	45,691
Equity, March									
31, 2016	130,433,194	\$ 1,304	\$ 4,026,045	10,190	\$(405)	\$(557,427)	\$(7,240)	\$ 11,521	\$ 3,473,798

See accompanying notes to consolidated financial statements.

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

	Three Months Ended March 31,	
	2016	2015
Operating activities		
Net income	\$46,209	\$71,267
Adjustments to reconcile net income to net cash provided by operating activities:		
Gains from disposition of real estate	(17,409)	(44,252)
Depreciation and amortization	53,716	50,273
Amortization of deferred financing costs and debt premiums/discounts	(615)	(1,540)
Share-based compensation	2,651	2,061
Income tax provision	345	311
Amortization of interest rate swap terminations	103	102
Changes in operating assets and liabilities:		
Restricted cash	(3,904)	(2,971)
Student contracts receivable, net	11,376	1,585
Other assets	(1,669)	11,667
Accounts payable and accrued expenses	(23,156)	(18,631)
Other liabilities	(3,580)	7,240
Net cash provided by operating activities	64,067	77,112
Investing activities		
Proceeds from disposition of properties	72,613	226,532
Cash paid for property acquisitions	—	(166,581)
Capital expenditures for wholly-owned properties	(9,263)	(11,495)
Investments in wholly-owned properties under development	(76,649)	(56,972)
Capital expenditures for on-campus participating properties	(655)	(333)
Investment in on-campus participating property under development	—	(448)
(Increase) decrease in escrow deposits for real estate investments	(1,520)	512
Change in restricted cash related to capital reserves	(447)	1,377
Increase in ownership of consolidated subsidiary	—	(1,708)
Purchase of corporate furniture, fixtures and equipment	(1,771)	(2,213)
Net cash used in investing activities	(17,692)	(11,329)
Financing activities		
Proceeds from sale of common stock	740,025	216,666
Offering costs	(31,680)	(3,250)
Pay-off of mortgage and construction loans	(4,390)	(125,370)
Pay-off of unsecured term loans	(400,000)	—
Proceeds from unsecured term loan	150,000	—
Proceeds from revolving credit facility	67,700	172,200
Pay downs of revolving credit facility	(136,600)	(282,800)
Proceeds from construction loans	—	258
Scheduled principal payments on debt	(3,917)	(3,841)
Debt issuance and assumption costs	(744)	(196)
Taxes paid on net-share settlements	(2,977)	(2,878)

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Distributions to common and restricted stockholders	(52,513)	(42,964)
Distributions to noncontrolling partners	(665)	(858)
Net cash provided (used in) by financing activities	324,239	(73,033)
Net change in cash and cash equivalents	370,614	(7,250)
Cash and cash equivalents at beginning of period	16,659	25,062
Cash and cash equivalents at end of period	\$387,273	\$17,812
Supplemental disclosure of non-cash investing and financing activities		
Loans assumed in connection with property acquisitions	\$—	\$(11,623)
Issuance of common units in connection with property acquisitions	\$—	\$(14,182)
Change in fair value of derivative instruments, net	\$(1,513)	\$(1,868)
Supplemental disclosure of cash flow information		
Interest paid	\$30,668	\$21,151

AMERICAN CAMPUS COMMUNITIES OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(in thousands, except unit data)

	March 31, 2016 (Unaudited)	December 31, 2015
Assets		
Investments in real estate:		
Wholly-owned properties, net	\$5,574,096	\$ 5,522,271
Wholly-owned properties held for sale	—	55,354
On-campus participating properties, net	88,990	90,129
Investments in real estate, net	5,663,086	5,667,754
Cash and cash equivalents	387,273	16,659
Restricted cash	40,312	33,675
Student contracts receivable, net	7,024	18,475
Other assets	269,842	269,685
Total assets	\$6,367,537	\$ 6,006,248
Liabilities and capital		
Liabilities:		
Secured mortgage, construction and bond debt	\$1,087,716	\$ 1,094,962
Unsecured notes	1,187,175	1,186,700
Unsecured term loans	348,376	597,719
Unsecured revolving credit facility	—	68,900
Accounts payable and accrued expenses	49,306	71,988
Other liabilities	155,033	144,811
Total liabilities	2,827,606	3,165,080
Commitments and contingencies (Note 14)		
Redeemable limited partners	66,133	59,511
Capital:		
Partners' capital:		
General partner - 12,222 OP units outstanding at both March 31, 2016 and December 31, 2015	92	93
Limited partner - 130,431,162 and 112,348,810 OP units outstanding at March 31, 2016 and December 31, 2015, respectively	3,469,425	2,775,933
Accumulated other comprehensive loss	(7,240)	(5,830)
Total partners' capital	3,462,277	2,770,196
Noncontrolling interests - partially owned properties	11,521	11,461
Total capital	3,473,798	2,781,657
Total liabilities and capital	\$6,367,537	\$ 6,006,248

See accompanying notes to consolidated financial statements.

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AMERICAN CAMPUS COMMUNITIES OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited, in thousands, except unit and per unit data)

	Three Months Ended March 31,	
	2016	2015
Revenues		
Wholly-owned properties	\$ 185,702	\$ 179,898
On-campus participating properties	10,046	9,200
Third-party development services	1,035	564
Third-party management services	2,410	2,001
Resident services	802	830
Total revenues	199,995	192,493
Operating expenses		
Wholly-owned properties	78,851	79,010
On-campus participating properties	3,042	2,668
Third-party development and management services	3,738	3,139
General and administrative	5,309	4,751
Depreciation and amortization	53,716	50,651
Ground/facility leases	2,304	2,098
Total operating expenses	146,960	142,317
Operating income	53,035	50,176
Nonoperating income and (expenses)		
Interest income	1,279	1,112
Interest expense	(22,627)	(21,988)
Amortization of deferred financing costs	(2,542)	(1,379)
Gain from disposition of real estate	17,409	44,252
Loss from early extinguishment of debt	—	(595)
Total nonoperating (expenses) income	(6,481)	21,402
Income before income taxes	46,554	71,578
Income tax provision	(345)	(311)
Net income	46,209	71,267
Net income attributable to noncontrolling interests – partially owned properties	(104)	(323)
Net income attributable to American Campus Communities Operating Partnership, L.P.	46,105	70,944
Series A preferred unit distributions	(42)	(44)
Net income attributable to common unitholders	\$ 46,063	\$ 70,900
Other comprehensive loss		
Change in fair value of interest rate swaps and other	(1,410)	(1,868)
Comprehensive income	\$ 44,653	\$ 69,032
Income per unit attributable to common unitholders		
Basic	\$ 0.37	\$ 0.63
Diluted	\$ 0.36	\$ 0.63

Weighted-average common units outstanding		
Basic	124,756,031	12,128,315
Diluted	125,576,358	12,864,146
Distributions declared per Common Unit	\$0.40	\$ 0.38

See accompanying notes to consolidated financial statements.

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AMERICAN CAMPUS COMMUNITIES OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN CAPITAL

(unaudited, in thousands, except unit data)

	General Partner		Limited Partner		Accumulated Other Comprehensive Loss	Noncontrolling Interests - Partially Owned Properties	Total
	Units	Amount	Units	Amount			
Capital, December 31, 2015	12,222	\$ 93	112,348,810	\$2,775,933	\$ (5,830)	\$ 11,461	\$2,781,657
Adjustments to reflect redeemable limited partners' interest at fair value	—	—	—	(6,833)	—	—	(6,833)
Amortization of restricted stock awards	—	—	—	2,651	—	—	2,651
Vesting of restricted stock awards and restricted stock units	—	—	127,352	(2,978)	—	—	(2,978)
Distributions	—	(5)	—	(52,508)	—	—	(52,513)
Distributions to noncontrolling interests - partially owned properties	—	—	—	—	—	(100)	(100)
Conversion of operating partnership units to common stock	—	—	15,000	163	—	—	163
Issuance of units in exchange for contributions of equity offering proceeds	—	—	17,940,000	707,414	—	—	707,414
Change in fair value of interest rate swaps	—	—	—	—	(1,513)	—	(1,513)
Amortization of interest rate swap terminations	—	—	—	—	103	—	103
Contributions by noncontrolling partners	—	—	—	—	—	56	56
Net income	—	4	—	45,583	—	104	45,691
Capital, March 31, 2016	12,222	\$ 92	130,431,162	\$3,469,425	\$ (7,240)	\$ 11,521	\$3,473,798

See accompanying notes to consolidated financial statements.

AMERICAN CAMPUS COMMUNITIES OPERATING PARTNERSHIP, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited, in thousands)

	Three Months Ended March 31,	
	2016	2015
Operating activities		
Net income	\$46,209	\$71,267
Adjustments to reconcile net income to net cash provided by operating activities:		
Gains from disposition of real estate	(17,409)	(44,252)
Depreciation and amortization	53,716	50,273
Amortization of deferred financing costs and debt premiums/discounts	(615)	(1,540)
Share-based compensation	2,651	2,061
Income tax provision	345	311
Amortization of interest rate swap terminations	103	102
Changes in operating assets and liabilities:		
Restricted cash	(3,904)	(2,971)
Student contracts receivable, net	11,376	1,585
Other assets	(1,669)	11,667
Accounts payable and accrued expenses	(23,156)	(18,631)
Other liabilities	(3,580)	7,240
Net cash provided by operating activities	64,067	77,112
Investing activities		
Proceeds from disposition of properties	72,613	226,532
Cash paid for property acquisitions	—	(166,581)
Capital expenditures for wholly-owned properties	(9,263)	(11,495)
Investments in wholly-owned properties under development	(76,649)	(56,972)
Capital expenditures for on-campus participating properties	(655)	(333)
Investment in on-campus participating property under development	—	(448)
(Increase) decrease in escrow deposits for real estate investments	(1,520)	512
Change in restricted cash related to capital reserves	(447)	1,377
Increase in ownership of consolidated subsidiary	—	(1,708)
Purchase of corporate furniture, fixtures and equipment	(1,771)	(2,213)
Net cash used in investing activities	(17,692)	(11,329)
Financing activities		
Proceeds from issuance of common units in exchange for contributions, net	708,345	213,416
Pay-off of unsecured term loan	(400,000)	—
Proceeds from unsecured term loan	150,000	—
Pay-off of mortgage and construction loans	(4,390)	(125,370)
Proceeds from revolving credit facility	67,700	172,200
Pay downs of revolving credit facility	(136,600)	(282,800)
Proceeds from construction loans	—	258
Scheduled principal payments on debt	(3,917)	(3,841)
Debt issuance and assumption costs	(744)	(196)
Taxes paid on net-share settlements	(2,977)	(2,878)
Distributions paid on unvested restricted stock awards	(393)	(334)
Distributions paid to common and preferred unitholders	(52,685)	(43,094)

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Distributions paid to noncontrolling partners - partially owned properties	(100)	(394)
Net cash used in financing activities	324,239	(73,033)
Net change in cash and cash equivalents	370,614	(7,250)
Cash and cash equivalents at beginning of period	16,659	25,062
Cash and cash equivalents at end of period	\$387,273	\$17,812
Supplemental disclosure of non-cash investing and financing activities		
Loans assumed in connection with property acquisitions	\$—	\$(11,623)
Issuance of common units in connection with property acquisitions	\$—	\$(14,182)
Change in fair value of derivative instruments, net	\$(1,513)	\$(1,868)
Supplemental disclosure of cash flow information		
Interest paid	\$30,668	\$21,151

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1. Organization and Description of Business

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

The general partner of ACCOP is American Campus Communities Holdings, LLC (“ACC Holdings”), an entity that is wholly-owned by ACC. As of March 31, 2016, ACC Holdings held an ownership interest in ACCOP of less than 1%. The limited partners of ACCOP are ACC and other limited partners consisting of current and former members of management and nonaffiliated third parties. As of March 31, 2016, ACC owned an approximate 98.9% limited partnership interest in ACCOP. As the sole member of the general partner of ACCOP, ACC has exclusive control of ACCOP’s day-to-day management. Management operates ACC and ACCOP as one business. The management of ACC consists of the same members as the management of ACCOP. ACC consolidates ACCOP for financial reporting purposes, and ACC does not have significant assets other than its investment in ACCOP. Therefore, the assets and liabilities of ACC and ACCOP are the same on their respective financial statements. References to the “Company,” “we,” “us” or “our” mean collectively ACC, ACCOP and those entities/subsidiaries owned or controlled by ACC and/or ACCOP. References to the “Operating Partnership” mean collectively ACCOP and those entities/subsidiaries owned or controlled by ACCOP. Unless otherwise indicated, the accompanying Notes to the Consolidated Financial Statements apply to both the Company and the Operating Partnership.

As of March 31, 2016, our property portfolio contained 163 properties with approximately 100,600 beds. Our property portfolio consisted of 134 owned off-campus student housing properties that are in close proximity to colleges and universities, 24 American Campus Equity (“ACE®”) properties operated under ground/facility leases with eleven university systems and five on-campus participating properties operated under ground/facility leases with the related university systems. Of the 163 properties, twelve were under development as of March 31, 2016, and when completed will consist of a total of approximately 8,000 beds. Our communities contain modern housing units and are supported by a resident assistant system and other student-oriented programming, with many offering resort-style amenities.

Through one of ACC’s taxable REIT subsidiaries (“TRSs”), we also provide construction management and development services, primarily for student housing properties owned by colleges and universities, charitable foundations, and others. As of March 31, 2016, also through one of ACC’s TRSs, we provided third-party management and leasing services for 40 properties that represented approximately 30,500 beds. Third-party management and leasing services are typically provided pursuant to management contracts that have initial terms that range from one to five years. As of March 31, 2016, our total owned and third-party managed portfolio included 203 properties with approximately 131,100 beds.

2. Summary of Significant Accounting Policies

Basis of Presentation

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

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Recently Issued Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2016-05 ("ASU 2016-05"), "Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships." The amendments in this guidance clarify that a change in the counterparty to a derivative instrument that has been designated as a hedging instrument under Topic 815 does not, in and of itself, require dedesignation of that hedging relationship provided that all other hedge accounting criteria continue to be met. The guidance is effective for public business entities for fiscal years beginning after December 15, 2016 and interim periods within those fiscal years. Early adoption is permitted. The Company is currently assessing whether ASU 2016-05 will have a material effect on its consolidated financial statements.

In February 2016, the FASB issued Accounting Standards Update 2016-02 ("ASU 2016-02"), "Leases: Amendments to the FASB Accounting Standards Codification." ASU 2016-02 amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. The new standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. The guidance is effective for public business entities for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. Early adoption is permitted. The Company is currently assessing whether ASU 2016-02 will have a material effect on its consolidated financial statements.

In May 2014, the FASB issued Accounting Standards Update 2014-09 ("ASU 2014-09"), "Revenue From Contracts With Customers". ASU 2014-09 provides a single comprehensive revenue recognition model for contracts with customers (excluding certain contracts, such as lease contracts) to improve comparability within industries. ASU 2014-09 requires an entity to recognize revenue to reflect the transfer of goods or services to customers at an amount the entity expects to be paid in exchange for those goods and services and provide enhanced disclosures, all to provide more comprehensive guidance for transactions such as service revenue and contract modifications. In July 2015, the FASB issued ASU 2015-14 ("ASU 2015-14"), "Deferral of the Effective Date". This standard deferred by one year the effective date of ASU 2014-09. The new revenue recognition standard is effective for public entities for interim and annual periods beginning after December 15, 2017 and may be applied using either a full retrospective or modified approach upon adoption. The Company plans to adopt ASU 2014-09 as of January 1, 2018 and is currently evaluating the potential impact of the new standard on its consolidated financial statements.

Recently Adopted Accounting Pronouncements

In March 2016, the FASB issued Accounting Standards Update 2016-09 ("ASU 2016-09"), "Improvements to Employee Share-Based Payment Accounting." The updated guidance changes how companies account for certain aspects of share-based payment awards to employees, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. The guidance is effective for public business entities for fiscal years beginning after December 15, 2016 and interim periods within those fiscal years. Early adoption is permitted. The Company adopted ASU 2016-09 as of January 1, 2016. ASU 2016-09 did not have a material impact on the Company's consolidated financial statements.

On January 1, 2016, the Company adopted Accounting Standards Update 2015-16 ("ASU 2015-16"), "Simplifying the Accounting for Measurement-Period Adjustments." Under the new guidance, the Company will no longer recognize a measurement-period adjustment retroactively in a business combination. Instead, measurement-period adjustments

will be recognized during the period in which the amount of the adjustment is determined. The adoption of ASU 2015-16 did not have a material impact on the Company's consolidated financial statements.

On January 1, 2016, the Company adopted Accounting Standards Update 2015-03 ("ASU 2015-03"), "Simplifying the Presentation of Debt Issuance Costs." The impact of adopting ASU 2015-03 on the Company's consolidated financial statements was the reclassification of deferred financing costs previously included in "other assets" to "secured mortgage, construction and bond debt", "unsecured notes" and "unsecured term loans" within its consolidated balance sheets for all periods presented. Other than these reclassifications, the adoption of ASU 2015-03 did not have an impact on the Company's consolidated financial statements.

On January 1, 2016, the Company adopted Accounting Standards Update 2015-02 ("ASU 2015-02"), "Amendments to the Consolidation Analysis." The new guidance changed the analysis a reporting entity must perform to determine whether it should consolidate certain types of legal entities. The guidance did not amend the existing disclosure requirements for Variable Interest Entities ("VIEs") or voting interest model entities. The guidance, however, modified the requirements to qualify under the voting interest model and eliminated the presumption that a general partner should consolidate a limited partnership. Under the revised guidance, ACCOP is determined to be a VIE. As ACCOP is already included in the consolidated financial statements of the

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Company, the identification of this entity as a VIE has no impact on its consolidated financial statements. There were no other legal entities qualifying under the scope of the revised guidance that were consolidated as a result of the adoption of this guidance. In addition, there were no other voting interest entities under prior existing guidance determined to be VIEs under the revised guidance.

Interim Financial Statements

The accompanying interim financial statements are unaudited, but have been prepared in accordance with GAAP for interim financial information and in conjunction with the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all disclosures required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting solely of normal recurring matters) necessary for a fair presentation of the financial statements of the Company for these interim periods have been included. Because of the seasonal nature of the Company's operations, the results of operations and cash flows for any interim period are not necessarily indicative of results for other interim periods or for the full year. These financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

Use of Estimates

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

Investments in Real Estate

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

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

Project costs directly associated with the development and construction of an owned real estate project, which include interest, property taxes, and amortization of deferred finance costs, are capitalized as construction in progress. Upon completion of the project, costs are transferred into the applicable asset category and depreciation commences. Interest totaling approximately \$2.1 million and \$2.5 million was capitalized during the three months ended March 31, 2016 and 2015, 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 undiscounted cash flows are less than the carrying value of the property, or when a property meets the criteria to be classified as held for sale, at which time an

impairment charge is recognized for any excess of the carrying value of the property over the expected net proceeds from the disposal. 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 March 31, 2016.

The Company allocates the purchase price of acquired properties to net tangible and identified intangible assets based on relative fair values. Fair value estimates are based on information obtained from a number of sources, including independent appraisals that may be obtained in connection with the acquisition or financing of the respective property, our own analysis of recently acquired and existing comparable properties in our portfolio, and other market data. Information obtained about each property as a result of due diligence, marketing and leasing activities is also considered. The value allocated to land is generally based on the actual purchase price if acquired separately, or market research/comparables if acquired as part of an existing operating property.

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The value allocated to building is based on the fair value determined on an “as-if vacant” basis, which is estimated using an income, or discounted cash flow, approach that relies upon internally determined assumptions that we believe are consistent with current market conditions for similar properties. The value allocated to furniture, fixtures, and equipment is based on an estimate of the fair value of the appliances and fixtures inside the units. We have determined these estimates to have been primarily based upon unobservable inputs and therefore are considered to be Level 3 inputs within the fair value hierarchy.

We record the acquisition of undeveloped land parcels that do not meet the accounting criteria to be accounted for as business combinations at the purchase price paid and capitalize the associated acquisition costs.

Pre-development Expenditures

Pre-development expenditures such as architectural fees, permits and deposits associated with the pursuit of third-party and owned development projects are expensed as incurred, until such time that management believes it is probable that the contract will be executed and/or construction will commence. Because the Company frequently incurs these pre-development expenditures before a financing commitment and/or required permits and authorizations have been obtained, the Company bears the risk of loss of these pre-development expenditures if financing cannot ultimately be arranged on acceptable terms or the Company is unable to successfully obtain the required permits and authorizations. As such, management evaluates the status of third-party and owned projects that have not yet commenced construction on a periodic basis and expenses any deferred costs related to projects whose current status indicates the commencement of construction is unlikely and/or the costs may not provide future value to the Company in the form of revenues. Such write-offs are included in third-party development and management services expenses (in the case of third-party development projects) or general and administrative expenses (in the case of owned development projects) on the accompanying consolidated statements of comprehensive income. As of March 31, 2016, the Company has deferred approximately \$7.8 million in pre-development costs related to third-party and owned development projects that have not yet commenced construction. Such costs are included in other assets on the accompanying consolidated balance sheets.

Earnings per Share – Company

Basic earnings per share is computed using net income attributable to common stockholders and the weighted average number of shares of the Company’s common stock outstanding during the period. Diluted earnings per share reflects common shares issuable from the assumed conversion of American Campus Communities Operating Partnership Units (“OP Units”) and common share awards granted. Only those items having a dilutive impact on basic earnings per share are included in diluted earnings per share.

The following potentially dilutive securities were outstanding for the three months ended March 31, 2016 and 2015, 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 March 31,	
	2016	2015
Common OP Units (Note 10)	1,310,046	—
Preferred OP Units (Note 10)	103,590	—

Total potentially dilutive securities 1,413,636 —

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

	Three Months Ended March 31,	
	2016	2015
Numerator – basic and diluted earnings per share:		
Net income	\$46,209	\$ 71,267
Net income attributable to noncontrolling interests	(622)	(1,070)
Net income attributable to common stockholders	45,587	70,197
Amount allocated to participating securities	(393)	(334)
Net income attributable to common stockholders	\$45,194	\$ 69,863
Denominator:		
Basic weighted average common shares outstanding	123,445,985	10,955,099
Unvested Restricted Stock Awards (Note 11)	820,327	735,831
Common OP units (Note 10)	—	1,173,216
Preferred OP units (Note 10)	—	110,359
Diluted weighted average common shares outstanding	124,266,312	12,974,505
Earnings per share:		
Net income attributable to common stockholders - basic	\$0.37	\$ 0.63
Net income attributable to common stockholders - diluted	\$0.36	\$ 0.62

Earnings per Unit – Operating Partnership

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

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

	Three Months Ended March 31,	
	2016	2015
Numerator – basic and diluted earnings per unit:		
Net income	\$46,209	\$ 71,267
Net income attributable to noncontrolling interests – partially owned properties	(104)	(323)
Series A preferred unit distributions	(42)	(44)
Amount allocated to participating securities	(393)	(334)
Net income attributable to common unitholders	\$45,670	\$ 70,566
Denominator:		
Basic weighted average common units outstanding	124,756,031	12,128,315
Unvested Restricted Stock Awards (Note 11)	820,327	735,831
Diluted weighted average common units outstanding	125,576,358	12,864,146

Earnings per unit:

Net income attributable to common unitholders - basic	\$0.37	\$0.63
Net income attributable to common unitholders - diluted	\$0.36	\$0.63

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3. Property Acquisitions

During three months ended March 31, 2015, the Company acquired five wholly-owned properties containing 2,298 beds for a combined purchase price of approximately \$195.3 million. The Company assumed approximately \$11.6 million of mortgage debt as part of these transactions.

4. Property Dispositions

During the first quarter of 2016, the Company sold the following wholly-owned properties for approximately \$73.8 million, resulting in net proceeds of approximately \$72.6 million. The combined net gain on these dispositions totaled approximately \$17.4 million.

Property	Location	Primary University Served	Disposition Date	Beds
The Edge - Orlando	Orlando, FL	University of Central Florida	March, 2016	930
University Village - Sacramento	Sacramento, CA	California State Univ. - Sacramento	March, 2016	394
				1,324

During the three months ended March 31, 2015, the Company sold 10 wholly-owned properties containing 6,001 beds for a combined sales price of approximately \$231.0 million, resulting in net proceeds of approximately \$226.5 million. The combined net gain on these dispositions totaled approximately \$44.3 million.

5. Investments in Wholly-Owned Properties

Wholly-owned properties consisted of the following:

	March 31, 2016	December 31, 2015
Land ⁽¹⁾ ⁽²⁾	\$ 597,898	\$ 597,894
Buildings and improvements	5,243,871	5,235,033
Furniture, fixtures and equipment	315,178	311,696
Construction in progress ⁽²⁾	244,496	154,988
	6,401,443	6,299,611
Less accumulated depreciation	(827,347)	(777,340)
Wholly-owned properties, net	\$ 5,574,096	\$ 5,522,271 ⁽³⁾

The land balance above includes undeveloped land parcels with book values of approximately \$44.8 million and \$66.2 million as of March 31, 2016 and December 31, 2015, respectively. It also includes land totaling approximately \$54.5 million and \$33.0 million as of March 31, 2016 and December 31, 2015, respectively, related to properties under development.

⁽²⁾ Land includes \$1.9 million as of both March 31, 2016 and December 31, 2015, and construction in progress includes \$15.8 million and \$12.6 million as of March 31, 2016 and December 31, 2015, respectively, related to the The Court at Stadium Centre property located in Tallahassee, Florida that will serve students attending Florida State University. In conjunction with the purchase of Stadium Centre in July 2015, the Company entered into a pre-sale agreement to purchase this adjacent property which is anticipated to be completed in August 2016. The Company is obligated to purchase the property as long as certain construction completion deadlines and other closing conditions are met. The Company is responsible for leasing, management, and initial operations of the project while the third-party developer is responsible for the development of the property. The entity that owns The Court at Stadium Centre is deemed to be a VIE, and the Company is determined to be the primary beneficiary of

the VIE. As such, the assets and liabilities of the entity owning the property are included in the Company's and the Operating Partnership's consolidated financial statements.

The balance above excludes the net book value of two wholly-owned properties classified as held for sale in the
(3) accompanying consolidated balance sheet as of December 31, 2015. These properties were sold in March 2016
(see Note 4).

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6. On-Campus Participating Properties

On-campus participating properties are as follows:

Lessor/University	Lease Commencement	Required Debt Repayment	Historical Cost	
			March 31, 2016	December 31, 2015
Texas A&M University System / Prairie View A&M University ⁽¹⁾	2/1/1996	9/1/2023	\$44,520	\$ 44,147
Texas A&M University System / Texas A&M International	2/1/1996	9/1/2023	7,074	7,064
Texas A&M University System / Prairie View A&M University ⁽²⁾	10/1/1999	8/31/2025 8/31/2028	27,790	27,717
University of Houston System / University of Houston ⁽³⁾	9/27/2000	8/31/2035	37,529	37,381
West Virginia University System / West Virginia University	7/16/2013	7/16/2045	43,727	43,676
			160,640	159,985
Less accumulated amortization			(71,650)	(69,856)
On-campus participating properties, net			\$88,990	\$ 90,129

⁽¹⁾ Consists of three phases placed in service between 1996 and 1998.

⁽²⁾ Consists of two phases placed in service in 2000 and 2003.

⁽³⁾ Consists of two phases placed in service in 2001 and 2005.

7. Investments in Unconsolidated Joint Ventures

As of March 31, 2016, the Company owned a noncontrolling interest in one unconsolidated joint venture that is accounted for utilizing the equity method of accounting. The Company discontinued applying the equity method in regards to its investment in this joint venture as a result of the Company's share of losses exceeding its investment in the joint venture. Because the Company had not guaranteed any obligations of the investee and was not otherwise committed to provide further financial support to the investee, it therefore suspended recording its share of losses once the investment was reduced to zero. The Company also earns fees for providing management services to this joint venture, which totaled approximately \$0.5 million and \$0.3 million for the three months ended March 31, 2016 and 2015, respectively.

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8. Debt

On January 1, 2016, the Company adopted ASU 2015-03, and as a result, deferred financing costs associated with secured mortgage, construction and bond debt, unsecured notes, and unsecured term loans are now subject to the new accounting guidance and are presented as a direct reduction to the carrying value of the debt. Prior period amounts have been reclassified to conform to the current period presentation (see Note 2). A summary of the Company's outstanding consolidated indebtedness is as follows:

	March 31, 2016	December 31, 2015
Debt secured by wholly-owned properties:		
Mortgage loans payable:		
Unpaid principal balance	\$927,677	\$934,769
Unamortized deferred financing costs	(4,728)	(5,084)
Unamortized debt premiums	47,488	50,763
Unamortized debt discounts	(127)	(166)
	970,310	980,282
Construction loans payable ⁽¹⁾	8,756	5,559
Unamortized deferred financing costs	(431)	(374)
	978,635	985,467
Debt secured by on-campus participating properties:		
Mortgage loans payable	73,017	73,465
Bonds payable	36,935	36,935
Unamortized deferred financing costs	(871)	(905)
	109,081	109,495
Total secured mortgage, construction and bond debt	1,087,716	1,094,962
Unsecured notes, net of unamortized OID and deferred financing costs ⁽²⁾	1,187,175	1,186,700
Unsecured term loans, net of unamortized deferred financing costs ⁽³⁾	348,376	597,719
Unsecured revolving credit facility	—	68,900
Total debt	\$2,623,267	\$2,948,281

⁽¹⁾ Construction loans payable consists of a construction loan partially financing the development and construction of The Court at Stadium Centre, a VIE the Company is including in its consolidated financial statements (see Note 5). The creditor of this construction loan does not have recourse to the assets of the Company.

⁽²⁾ Includes net unamortized original issue discount ("OID") of \$2.2 million at both March 31, 2016 and December 31, 2015, and net unamortized deferred financing costs of \$10.7 million at March 31, 2016 and \$11.1 million at December 31, 2015.

⁽³⁾ Includes net unamortized deferred financing costs of \$1.6 million at March 31, 2016 and \$2.3 million at December 31, 2015.

Pay-off of Mortgage and Construction Debt

During the three months ended March 31, 2016, the Company paid off approximately \$4.4 million of fixed rate mortgage debt secured by The Lofts at Capital Garage, a wholly-owned property.

During the three months ended March 31, 2015, the Company paid off approximately \$61.4 million of fixed rate mortgage debt secured by three wholly-owned properties, \$19.3 million of fixed rate mortgage debt prior to the sale of two properties, and \$44.6 million of variable rate construction debt secured by two owned on-campus ACE properties.

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Unsecured Notes

The Company has issued the following senior unsecured notes:

Date Issued	Amount	% of Par Value	Coupon	Yield	Original Issue	Term
September 2015	\$400,000	99.811	3.350%	3.391%	\$ 756	5
June 2014	400,000	99.861	4.125%	4.142%	556	10
April 2013	400,000	99.659	3.750%	3.791%	1,364	10
	\$1,200,000				\$ 2,676	

The notes are fully and unconditionally guaranteed by the Company. Interest on the notes is payable semi-annually. The terms of the unsecured notes include certain financial covenants that require the Operating Partnership to limit the amount of total debt and secured debt as a percentage of total asset value, as defined. In addition, the Operating Partnership must maintain a minimum ratio of unencumbered asset value to unsecured debt, as well as a minimum interest coverage level. As of March 31, 2016, the Company was in compliance with all such covenants.

Unsecured Credit Facility

The Company has an aggregate unsecured credit facility totaling \$0.9 billion which is comprised of unsecured term loans totaling \$350 million and a \$500 million unsecured revolving credit facility, which may be expanded by up to an additional \$500 million upon the satisfaction of certain conditions. On January 29, 2016 the Company refinanced \$150 million of the \$350 million term loan facility ("Term Loan I Facility") by extending the maturity date for the \$150 million portion from January 10, 2017 to March 29, 2021. The remaining \$200 million of the \$350 million Term Loan I Facility matures on January 10, 2017 and can be extended to January 10, 2019 through the exercise of two 12-month extension options, subject to the satisfaction of certain conditions. The maturity date of the unsecured revolving credit facility is March 1, 2018, and can be extended for an additional 12 months to March 1, 2019, subject to the satisfaction of certain conditions. The \$250 million term loan facility ("Term Loan II Facility") was repaid in February 2016 using proceeds from the issuance of 17,940,000 common shares (see Note 9 for details). In connection with this payoff, the Company accelerated the amortization of \$1.1 million of deferred financing costs related to the Term Loan II Facility.

Each loan bears interest at a variable rate, at the Company's option, based upon a base rate or one-, two-, three- or six-month LIBOR, plus, in each case, a spread based upon the Company's investment grade rating from either Moody's Investor Services, Inc. or Standard & Poor's Rating Group. In February 2016, Standard & Poor's upgraded the Company's investment grade rating from BBB- to BBB, which decreased the spreads by approximately 30 basis points. The Company has entered into multiple interest rate swap contracts with notional amounts totaling \$350 million that effectively fix the interest rate to a weighted average annual rate of 0.88% on the outstanding balance of the Term Loan I Facility. Including the current spread of 1.20% for the \$200 million of the Term Loan I Facility, and a current spread of 1.10% for the remaining \$150 million of the Term Loan I Facility, the all-in weighted average annual rate on the Term Loan I Facility was 2.04% at March 31, 2016. Refer to Note 12 for more information on the interest rate swap contracts mentioned above. Availability under the revolving credit facility is limited to an "aggregate borrowing base amount" equal to 60% of the value of the Company's unencumbered properties, calculated as set forth in the unsecured credit facility. Additionally, the Company is required to pay a facility fee of 0.20% per annum on the \$500 million revolving credit facility. In February 2016, the Company paid down the outstanding balance on its

revolving credit facility in full. As a result, availability under the revolving credit facility totaled \$500 million as of March 31, 2016.

The terms of the unsecured credit facility include certain restrictions and covenants, which limit, among other items, the incurrence of additional indebtedness, liens, and the disposition of assets. The facility contains customary affirmative and negative covenants and also contains financial covenants that, among other things, require the Company to maintain certain minimum ratios of “EBITDA” (earnings before interest, taxes, depreciation and amortization) to fixed charges and total indebtedness. The Company may not pay distributions that exceed a specified percentage of funds from operations, as adjusted, for any four consecutive quarters. The financial covenants also include consolidated net worth and leverage ratio tests. As of March 31, 2016, the Company was in compliance with all such covenants.

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9. Stockholders' Equity / Partners' Capital

Stockholders' Equity - Company

On February 5, 2016, ACC completed an equity offering, consisting of the sale of 17,940,000 shares of ACC's common stock at a price of \$41.25 per share, including 2,340,000 shares issued as a result of the exercise of the underwriters' overallotment option in full at closing. The offering generated gross proceeds of approximately \$740.0 million. The aggregate proceeds to ACC, net of the underwriting discount and expenses of the offering, were approximately \$707.4 million.

In June of 2015, the Company established 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 \$500 million. The shares that may be sold under this program include shares of common stock of the Company with an aggregate offering price of approximately \$194 million that were not sold under the company's prior ATM program that expired in May 2015.

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.

There was no activity under the Company's ATM Equity Program during the three months ended March 31, 2016. The following table presents activity under the Company's prior ATM Equity Program during three months ended March 31, 2015:

	Three Months Ended March 31, 2015
Total net proceeds	\$213,416
Commissions paid to sales agents	\$3,250
Weighted average price per share	\$43.92
Shares of common stock sold	4,933,665

As of March 31, 2016, the Company had approximately \$500 million available for issuance under its ATM Equity Program.

In 2015, the Company established a Non-Qualified Deferred Compensation Plan ("Deferred Compensation Plan") maintained for the benefit of select employees and members of the Company's Board of Directors, in which vested share awards (see Note 13), salary and other cash amounts earned may be deposited. Deferred Compensation Plan assets are held in a rabbi trust, which is subject to the claims of the Company's creditors in the event of bankruptcy or insolvency. The value of the vested share awards held in the Deferred Compensation Plan is classified within stockholders' equity in a manner similar to the manner in which treasury stock is accounted. Subsequent changes in the fair value of the shares are not recognized. During the three months ended March 31, 2016, 35 shares of vested restricted stock awards ("RSAs") were deposited into the Deferred Compensation Plan. As of March 31, 2016, the Deferred Compensation Plan held 10,190 vested share awards.

Partners' Capital – Operating Partnership

In connection with the equity offering and ATM Equity Program discussed above, ACCOP issued a number of American Campus Operating Partnership Common OP Units ("Common OP Units") to ACC equivalent to the number of common shares issued by ACC.

In connection with the purchase of 8 1/2 Canal Street during the first quarter of 2015, ACCOP issued 343,895 Common OP Units to the seller, valued at \$41.24 per unit.

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10. Noncontrolling Interests

Operating Partnership

Partially-owned properties: As of March 31, 2016, the Operating Partnership consolidates three joint ventures that own and operate University Village at Sweet Home, University Centre and Villas at Chestnut Ridge owned-off campus properties. The portion of net assets attributable to the third-party partners in these joint ventures is classified as “noncontrolling interests - partially owned properties” within capital on the accompanying consolidated balance sheets of the Operating Partnership. Accordingly, the third-party partners’ share of the income or loss of the joint ventures is reported on the consolidated statements of comprehensive income of the Operating Partnership as “net income attributable to noncontrolling interests – partially owned properties.”

As discussed in Note 5, in July 2015, the Company entered into a purchase agreement with a private developer whereby the Company is obligated to purchase a property (The Court at Stadium Centre) as long as the developer meets certain construction completion deadlines and other conditions. The \$7.3 million equity contribution from the developer is reflected as noncontrolling interest - partially owned properties within capital on the accompanying consolidated balance sheets of the Operating Partnership as of March 31, 2016.

OP Units: For the portion of OP Units that the Operating Partnership is required, either by contract or securities law, to deliver registered common shares of ACC to the exchanging OP unit holder, or for which the Operating Partnership has the intent or history of exchanging such units for cash, we classify the units as “redeemable limited partners” in the mezzanine section of the consolidated balance sheets of the Operating Partnership. The units classified as such include Series A Preferred Units (“Preferred OP Units”) as well as common OP units that are not held by ACC or ACC Holdings. The value of redeemable limited partners on the consolidated balance sheets of the Operating Partnership is reported at the greater of fair value, which is based on the closing market value of the Company’s common stock, or historical cost at the end of each reporting period. Changes in the value from period to period are charged to limited partners’ capital on the consolidated statement of changes in capital of the Operating Partnership.

Below is a table summarizing the activity of redeemable limited partners for the three months ended March 31, 2016:

December 31, 2015	\$59,511
Net income	518
Distributions	(565)
Conversion of redeemable limited partner units into shares of ACC common stock	(164)
Adjustments to reflect redeemable limited partner units at fair value	6,833
March 31, 2016	\$66,133

During the three months ended March 31, 2016, 15,000 Preferred OP Units were converted into an equal number of shares of ACC’s common stock and during the year ended December 31, 2015, 118,474 Common OP Units and 1,000 Preferred OP Units were converted into an equal number of shares of ACC’s common stock. As of March 31, 2016 and December 31, 2015, approximately 1.1% and 1.2%, respectively, of the equity interests of the Operating Partnership were held by owners of Common OP Units and Preferred OP Units not held by ACC or ACC Holdings.

Company

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

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11. Incentive Award Plan

Restricted Stock Awards ("RSAs")

A summary of RSAs under the American Campus Communities, Inc. 2010 Incentive Award Plan (the "Plan") as of March 31, 2016 and activity during the three months then ended, is presented below:

	Number of RSAs
Nonvested balance at December 31, 2015	655,925
Granted	327,306
Vested	(127,352)
Forfeited ⁽¹⁾	(71,894)
Nonvested balance at March 31, 2016	783,985

⁽¹⁾ Includes shares withheld to satisfy tax obligations upon vesting.

The fair value of RSAs is calculated based on the closing market value of ACC's common stock on the date of grant. The fair value of these awards is amortized to expense over the vesting periods, which amounted to approximately \$2.7 million and \$2.1 million for the three months ended March 31, 2016 and 2015, respectively.

12. Derivative Instruments and Hedging Activities

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

Cash Flow Hedges of Interest Rate Risk

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 and forward starting 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. Forward starting swaps are used to protect the Company against adverse fluctuations in interest rates by reducing its exposure to variability in cash flows relating to interest payments on a forecasted issuance of debt. The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in other comprehensive income (outside of earnings) and subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portion of changes in the fair value of the derivative is recognized directly in earnings. Ineffectiveness resulting from the derivative instruments summarized below was

immaterial for the three month periods ended March 31, 2016 and 2015.

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The following table summarizes the Company's outstanding interest rate swap contracts as of March 31, 2016:

Hedged Debt Instrument	Effective Date	Maturity Date	Pay Fixed Rate	Receive Floating Rate Index	Current Notional Amount	Fair Value
Cullen Oaks mortgage loan	Feb 18, 2014	Feb 15, 2021	2.2750%	LIBOR - 1 month	\$ 14,594	\$(800)
Cullen Oaks mortgage loan	Feb 18, 2014	Feb 15, 2021	2.2750%	LIBOR - 1 month	14,744	(808)
Term Loan I Facility	Feb 2, 2012	Jan 2, 2017	0.8695%	LIBOR - 1 month	125,000	(325)
Term Loan I Facility	Feb 2, 2012	Jan 2, 2017	0.8800%	LIBOR - 1 month	100,000	(268)
Term Loan I Facility	Feb 2, 2012	Jan 2, 2017	0.8875%	LIBOR - 1 month	62,500	(171)
Term Loan I Facility	Feb 2, 2012	Jan 2, 2017	0.8890%	LIBOR - 1 month	62,500	(172)
Park Point mortgage loan	Nov 1, 2013	Oct 5, 2018	1.5450%	LIBOR - 1 month	70,000	(1,417)
				Total	\$449,338	\$(3,961)

In January 2016, the Company refinanced a portion of the Term Loan Facility I (See Note 8 for details). While the maturity of a portion of the Term Loan Facility I was extended to March 29, 2021, there were no changes to the timing and amounts of the cash flows received or paid under the interest rate swaps, which will expire on the original maturity date. As a result, the Company concluded that a dedesignation of the original hedge relationship was not required.

In March 2014, the Company entered into two forward starting interest rate swap contracts with notional amounts totaling \$200 million designated to hedge the Company's exposure to increasing interest rates related to interest payments on an anticipated issuance of unsecured notes. In connection with the issuance of unsecured notes in June 2014, the Company terminated both swap contracts resulting in payments to both counterparties totaling approximately \$4.1 million, which were recorded in accumulated other comprehensive loss and will be amortized to interest expense over the term of the unsecured notes. When including the effect of these interest rate swap terminations, the effective yield on the unsecured notes is 4.27%. During both the three months ended March 31, 2016 and 2015 \$0.1 million was amortized from accumulated other comprehensive loss to interest expense. As of March 31, 2016 and December 31, 2015, approximately \$3.4 million and \$3.5 million of the \$4.1 million payment remained to be amortized, respectively.

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 March 31, 2016 and December 31, 2015:

Description	Liability Derivatives		
	Balance Sheet Location	Fair Value as of	
		March 31, 2016	December 31, 2015
Interest rate swaps contracts	Other liabilities	\$ 3,961	\$ 2,454
Total derivatives designated as hedging instruments		\$ 3,961	\$ 2,454

13. Fair Value Disclosures

The following table presents information about the Company's financial instruments measured at fair value on a recurring basis as of March 31, 2016 and December 31, 2015, and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to

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

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

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

	Fair Value Measurements as of			Fair Value Measurements as of		
	March 31, 2016			December 31, 2015		
	Quoted	Significant	Significant	Quoted	Significant	Significant
	Prices	Other	Unobservable	Prices	Other	Unobservable
	in	for	Inputs	in	for	Inputs
	Active	Identical	Total	Active	Identical	Total
	Markets	Assets	(Level 2) 3)	Markets	Assets	(Level 2) 3)
	and	and		and	and	
	Liabilities	Liabilities		Liabilities	Liabilities	
	(Level	(Level		(Level	(Level	
	1)	1)		1)	1)	
Liabilities:						
Derivative financial instruments	\$-\$3,961	\$	—\$3,961	\$-\$2,454	\$	—\$2,454
Mezzanine:						
Redeemable noncontrolling interests						
(Company)/Redeemable limited partners (Operating Partnership)	\$-\$66,133	\$	—\$66,133	\$-\$59,511	\$	—\$59,511

The Company uses derivative financial instruments, specifically interest rate swaps and forward starting 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 and forward starting swaps to reduce exposure to variability in cash flows relating to interest payments on forecasted issuances of debt. Through March 31, 2016, 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 March 31, 2016 and December 31, 2015, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of the Company's derivative financial instruments. As a result, the Company has determined each of its derivative valuations in its entirety is classified in Level 2 of the fair value hierarchy.

Redeemable noncontrolling interests in the Company (redeemable limited partners in the Operating Partnership) have a redemption feature and are marked to their redemption value. The redemption value is based on the fair value of the Company's common stock at the redemption date, and therefore, is calculated based on the fair value of the Company's common stock at the balance sheet date. Since the valuation is based on observable inputs such as quoted prices for similar instruments in active markets, these instruments 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, Accounts Payable and Accrued Expenses and Other Liabilities: The Company estimates that the carrying amount approximates fair value, due to the short maturity of these instruments.

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

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

Loans Receivable: The fair value of loans receivable is based on a discounted cash flow analysis consisting of scheduled cash flows and discount rate estimates to approximate those that a willing buyer and seller might use. These financial instruments utilize Level 3 inputs.

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

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

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

The table below contains the estimated fair value and related carrying amounts for the Company's financial instruments as of March 31, 2016 and December 31, 2015:

	March 31, 2016		December 31, 2015	
	Estimated Fair Value	Carrying Amount	Estimated Fair Value	Carrying Amount
Assets:				
Loans receivable ⁽¹⁾	\$48,030	\$57,992	\$48,030	\$57,175
Liabilities:				
Unsecured notes ⁽²⁾	\$1,220,061	\$1,187,175	\$1,180,466	\$1,186,700
Mortgage loans ⁽²⁾	1,000,983	1,043,002	994,809	1,053,414
Bonds ⁽²⁾	41,824	36,389	40,716	36,363

Management's estimate of the collectability of principal and interest payments under the company's loans receivable from CaPFA Capital Corp. 2000F ("CaPFA"), which mature in December 2040, are highly dependent on the future operating performance of the properties securing the loans. As future economic conditions and/or market conditions at the properties change, management will continue to evaluate the collectability of such amounts. The Company believes there were no impairments of the carrying value of its loans receivable as of March 31, 2016.

⁽²⁾ Both the estimated fair value and the carrying amount of unsecured notes, mortgage loans, and bonds includes unamortized deferred financing costs (see Note 8).

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14. Commitments and Contingencies

Commitments

Construction Contracts: As of March 31, 2016, the Company estimates additional costs to complete eleven wholly-owned development projects under construction (excluding the pre-sale arrangement discussed below) to be approximately \$366.5 million. The Company expects to fund this amount through a combination of net proceeds from the February equity offering discussed in Note 9, cash flows generated from operations, and proceeds from completed and anticipated property dispositions.

Pre-sale Arrangements: In conjunction with the purchase of Stadium Centre in July 2015, the Company entered into a pre-sale agreement to purchase The Court at Stadium Centre, an adjacent property which is anticipated to be completed in August 2016 for \$26.5 million (see Note 5). Of the \$26.5 million purchase price, \$6.9 million was paid in conjunction with the purchase of the adjacent property, Stadium Centre.

Development-related Guarantees: For certain of 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. The Company's estimated maximum exposure amount under the above guarantees is approximately \$1.5 million as of March 31, 2016.

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 March 31, 2016, management did not anticipate any material deviations from schedule or budget related to third-party development projects currently in progress.

In August 2013, the Company entered into an agreement to convey fee interest in a parcel of land, on which one of our student housing properties resides (University Crossings), to Drexel University (the "University"). Concurrent with the land conveyance, the Company as lessee entered into a ground lease agreement with the University as lessor for an initial term of 40 years, with three 10-year extensions, at the Company's option. The Company also agreed to convey the building and improvements to the University at an undetermined date in the future and to pay real estate transfer taxes not to exceed \$2.4 million. The Company paid approximately \$0.6 million in real estate transfer taxes upon the conveyance of land to the University, leaving approximately \$1.8 million to be paid by the Company upon the transfer of the building and improvements.

In addition, in connection with certain property acquisitions, the Company has assumed the obligation to fund future infrastructure improvements located near the acquired properties. During the three months ended March 31, 2016 and 2015, the Company did not incur any costs related to this obligation. Should additional obligations arise, it is likely that such payments made by the Company will be expensed at such time the local municipalities decide to move forward with the projects.

Contingencies

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

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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, minority interests and allocation of corporate overhead. Intercompany fees are reflected at the contractually stipulated amounts.

	Three Months Ended March 31,	
	2016	2015
Wholly-Owned Properties		
Rental revenues and other income	\$ 186,504	\$ 180,728
Interest income	265	271
Total revenues from external customers	186,769	180,999
Operating expenses before depreciation, amortization, ground/facility leases and allocation of corporate overhead	(77,998)	(79,054)
Ground/facility leases	(1,454)	(1,223)
Interest expense	(6,906)	(8,738)
Operating income before depreciation, amortization, and allocation of corporate overhead	\$ 100,411	\$ 91,984
Depreciation and amortization	\$ 51,223	\$ 48,309
Capital expenditures	\$ 85,912	\$ 68,467
Total segment assets at March 31,	\$ 5,793,453	\$ 5,593,579
On-Campus Participating Properties		
Total revenues from external customers	\$ 10,046	\$ 9,200
Operating expenses before depreciation, amortization, ground/facility leases and allocation of corporate overhead	(2,758)	(2,427)

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Ground/facility leases	(850) (875)
Interest expense	(1,418) (1,478)
Operating income before depreciation, amortization and allocation of corporate overhead	\$5,020	\$4,420	
Depreciation and amortization			