

CAMDEN PROPERTY TRUST

Form 10-Q

November 03, 2006

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2006
OR

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: 1-12110
CAMDEN PROPERTY TRUST
(Exact Name of Registrant as Specified in Its Charter)

TEXAS
(State or Other Jurisdiction of Incorporation or Organization)

76-6088377
(I.R.S. Employer Identification Number)

3 Greenway Plaza, Suite 1300, Houston, Texas 77046
(Address of Principal Executive Offices) (Zip Code)
(713) 354-2500
(Registrant's Telephone Number, Including Area Code)

N/A
(Former Name, Former Address and Former Fiscal Year, If Changed Since Last Report)

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

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

As of October 31, 2006, there were 56,425,854 shares of Common Shares of Beneficial Interest, \$0.01 par value, outstanding.

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CAMDEN PROPERTY TRUST
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in thousands)

	September 30, 2006	December 31, 2005
ASSETS		
Real estate assets, at cost		
Land	\$ 683,645	\$ 646,854
Buildings and improvements	3,988,031	3,840,969
	4,671,676	4,487,823
Accumulated depreciation	(725,790)	(716,650)
Net operating real estate assets	3,945,886	3,771,173
Properties under development, including land	351,246	372,976
Investments in joint ventures	8,266	6,096
Properties held for sale, including land	45,074	172,112
Total real estate assets	4,350,472	4,322,357
Accounts receivable affiliates	33,624	34,084
Notes receivable		
Affiliates	31,037	11,916
Other	3,855	13,261
Other assets, net	112,801	99,516
Cash and cash equivalents	8,061	1,576
Restricted cash	5,541	5,089
Total assets	\$ 4,545,391	\$ 4,487,799
LIABILITIES AND SHAREHOLDERS EQUITY		
Liabilities		
Notes payable		
Unsecured	\$ 1,693,106	\$ 2,007,164
Secured	587,347	625,927
Accounts payable and accrued expenses	120,566	108,979
Accrued real estate taxes	41,165	26,070
Other liabilities	101,332	88,811
Distributions payable	43,056	38,922
Total liabilities	2,586,572	2,895,873
Commitments and contingencies		
Minority interests		
Perpetual preferred units	97,925	97,925
Common units	116,776	112,637
Other minority interests	10,002	10,461

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Total minority interests	224,703	221,023
Shareholders' equity		
Common shares of beneficial interest	650	608
Additional paid-in capital	2,176,170	1,902,595
Distributions in excess of net income	(206,442)	(295,074)
Employee notes receivable	(2,047)	(2,078)
Treasury shares, at cost	(234,215)	(235,148)
Total shareholders' equity	1,734,116	1,370,903
Total liabilities and shareholders' equity	\$ 4,545,391	\$ 4,487,799

See Notes to Consolidated Financial Statements.

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CAMDEN PROPERTY TRUST
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(in thousands, except per share amounts)

	Three Months		Nine Months	
	Ended September 30,		Ended September 30,	
	2006	2005	2006	2005
Property revenues				
Rental revenues	\$ 139,354	\$ 125,125	\$ 408,581	\$ 348,250
Other property revenues	15,202	11,507	41,172	31,612
Total property revenues	154,556	136,632	449,753	379,862
Property expenses				
Property operating and maintenance	45,806	38,697	124,089	105,960
Real estate taxes	16,345	14,870	48,845	42,512
Total property expenses	62,151	53,567	172,934	148,472
Non-property income				
Fee and asset management	5,433	1,789	11,030	10,929
Sale of technology investments	1,602		1,602	24,199
Interest and other income	1,733	1,913	6,097	6,401
Income on deferred compensation plans	1,927	3,209	4,308	5,327
Total non-property income	10,695	6,911	23,037	46,856
Other expenses				
Property management	4,629	4,208	13,821	11,350
Fee and asset management	3,689	2,008	8,293	4,999
General and administrative	9,849	6,183	25,299	18,017
Transaction compensation and merger expenses				14,085
Interest	29,176	29,331	91,592	81,416
Depreciation and amortization	40,399	44,030	117,945	119,117
Amortization of deferred financing costs	941	855	2,897	2,872
Expense on deferred compensation plans	1,927	3,209	4,308	5,327
Total other expenses	90,610	89,824	264,155	257,183
Income from continuing operations before gain on sale of properties, equity in income (loss) of joint ventures and minority interests				
Gain on sale of properties, including land	12,490	152	35,701	21,063
Equity in income (loss) of joint ventures	96,247		97,556	132,117
Minority interests	1,628	(1,827)	4,514	(1,472)
Distributions on perpetual preferred units	(1,750)	(1,750)	(5,250)	(5,278)
Original issuance costs on redeemed perpetual preferred units				(365)
Income allocated to common units and other minority interests	(12,413)	(261)	(14,750)	(1,756)

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Income (loss) from continuing operations	96,202	(3,686)	117,771	144,309
Income from discontinued operations	665	1,481	4,998	6,118
Gain on sale of discontinued operations	29,350		80,394	36,115
Income from discontinued operations allocated to common units	(760)	(112)	(1,681)	(343)
Net income (loss)	\$ 125,457	\$ (2,317)	\$ 201,482	\$ 186,199
Earnings per share basic				
Income (loss) from continuing operations	\$ 1.65	\$ (0.07)	\$ 2.10	\$ 2.81
Income from discontinued operations, including gain on sale	0.50	0.03	1.49	0.82
Net income (loss)	\$ 2.15	\$ (0.04)	\$ 3.59	\$ 3.63
Earnings per share diluted				
Income (loss) from continuing operations	\$ 1.58	\$ (0.07)	\$ 2.03	\$ 2.63
Income from discontinued operations, including gain on sale	0.49	0.02	1.43	0.75
Net income (loss)	\$ 2.07	\$ (0.05)	\$ 3.46	\$ 3.38
Distributions declared per common share	\$ 0.66	\$ 0.635	\$ 1.98	\$ 1.905
Weighted average number of common shares outstanding	58,348	54,018	56,063	51,294
Weighted average number of common and common dilutive equivalent shares outstanding	61,250	55,671	58,904	55,494

See Notes to Consolidated Financial Statements.

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CAMDEN PROPERTY TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(in thousands)

	Nine Months	
	Ended September 30,	
	2006	2005
Cash flows from operating activities		
Net income	\$ 201,482	\$ 186,199
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization, including discontinued operations	119,295	124,504
Amortization of deferred financing costs	2,897	2,872
Equity in (income) loss of joint ventures	(4,514)	1,472
Gain on sale of properties, including land	(97,556)	(132,117)
Gain on sale of discontinued operations	(80,394)	(36,115)
Gain on sale of technology investments	(1,602)	(24,199)
Original issuance costs on redeemed perpetual preferred units		365
Income allocated to common units and other minority interests, including discontinued operations	16,431	2,099
Accretion of discount on unsecured notes payable	541	498
Amortization of share-based compensation	5,966	8,518
Interest on employee notes receivable	(81)	(70)
Net change in operating accounts	21,489	29,496
Net cash provided by operating activities	183,954	163,522
Cash flows from investing activities		
Increase in real estate assets	(365,222)	(201,518)
Net proceeds from sales of properties, including land and discontinued operations	150,958	127,027
Proceeds from the sale of technology investments	1,602	24,606
Net proceeds from partial sales of assets to joint ventures	222,791	316,796
Distributions from joint ventures	36,545	68,975
Investments in joint ventures	(5,490)	(1,110)
Payments received on notes receivable other	9,406	19,694
Summit cash at merger date		16,696
Cash consideration paid for Summit		(458,050)
Payment of merger related liabilities	(5,724)	(50,765)
Change in restricted cash	(452)	(378)
Increase in non-real estate assets and other	(3,199)	(1,928)
Net cash provided by (used in) investing activities	41,215	(139,955)

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CAMDEN PROPERTY TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(in thousands)

	Nine Months	
	Ended September 30,	
	2006	2005
Cash flows from financing activities		
Net (decrease) increase in unsecured line of credit and short-term borrowings	\$ (237,000)	\$ 65,000
Proceeds from notes payable		248,423
Repayment of Summit secured credit facility		(188,500)
Repayment of notes payable	(85,654)	(17,838)
Proceeds from issuance of common shares	254,932	
Distributions to shareholders and minority interests	(123,177)	(109,385)
Redemption of perpetual preferred units		(17,500)
Repayment of employee notes receivable	112	1,865
Repurchase of common units	(169)	(5,580)
Net decrease (increase) in accounts receivable affiliates	841	(2,780)
Increase in notes receivable affiliates	(31,173)	(1,138)
Common share options exercised	3,220	8,253
Payment of deferred financing costs	(2,684)	(6,968)
Other	2,068	1,404
Net cash used in financing activities	(218,684)	(24,744)
Net increase (decrease) in cash and cash equivalents	6,485	(1,177)
Cash and cash equivalents, beginning of period	1,576	2,253
Cash and cash equivalents, end of period	\$ 8,061	\$ 1,076
Supplemental information		
Cash paid for interest, net of interest capitalized	\$ 90,343	\$ 72,107
Interest capitalized	15,982	12,657
Supplemental schedule of noncash investing and financing activities		
Acquisition of Summit, net of cash acquired, at fair value:		
Assets acquired	\$ 1,881	\$ 1,589,680
Liabilities assumed	1,881	980,747
Common shares issued		544,065
Common units issued		81,564
Value of shares issued under benefit plans, net	16,274	11,271
Cancellation of notes receivable affiliate in connection with property acquisition	12,053	
Distributions declared but not paid	43,056	38,933
Conversion of operating partnership units to common shares	5,652	
Contribution of real estate assets to joint ventures	33,493	45,297
Decrease in liabilities in connection with property transactions, net	2,581	2,501
Assumption of debt by joint venture	30,525	

See Notes to Consolidated Financial Statements.

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CAMDEN PROPERTY TRUST
Notes to Consolidated Financial Statements
(Unaudited)

1. Description of the Business

Business. Formed on May 25, 1993, Camden Property Trust, a Texas real estate investment trust (REIT), is engaged in the ownership, development, construction and management of multifamily apartment communities. Our multifamily apartment communities are referred to as communities, multifamily communities, properties, or multifamily properties in the following discussion. As of September 30, 2006, we owned interests in, operated, or were developing 199 multifamily properties comprised of 68,419 apartment homes located in 13 states. We had 5,434 apartment homes under development at 15 of our multifamily properties, including 1,069 apartment homes at three multifamily properties owned through joint ventures, and several sites we intend to develop into multifamily apartment communities. Additionally, five properties comprised of 1,744 apartment homes were designated as held for sale.

2. Summary of Significant Accounting Policies

Operating Partnerships and Minority Interests. At September 30, 2006, approximately 14% of our multifamily apartment homes were held in Camden Operating, L.P (Camden Operating). Camden Operating has issued both common and preferred limited partnership units. In connection with our joint venture in Camden Main & Jamboree, LP, as discussed in Note 6, *Investments in Joint Ventures*, we issued 28,999 Series B common units during the nine months ended September 30, 2006. As of September 30, 2006, we held 85.2% of the common limited partnership units and the sole 1.0% general partnership interest of the operating partnership. The remaining common limited partnership units, comprising 1.6 million units, are primarily held by former officers, directors and investors of Paragon Group, Inc., which we acquired in 1997.

Camden Operating had \$100 million of 7.0% Series B Cumulative Redeemable Perpetual Preferred Units outstanding as of September 30, 2006. Distributions on the Series B Preferred Units totaled \$1.8 million for the three months and \$5.3 million for the nine months ended September 30, 2006 and 2005, respectively.

At September 30, 2006, approximately 22% of our multifamily apartment units were held in the Camden Summit Partnership, as discussed in Note 3, *Merger with Summit Properties Inc.* This operating partnership has issued common limited partnership units. As of September 30, 2006, we held 91.9% of the common limited partnership units and the sole 1.0% general partnership interest of the Camden Summit Partnership. The remaining common limited partnership units, comprising 1.6 million units, are primarily held by former officers, directors and investors of Summit.

Interim Financial Reporting. We have prepared these financial statements in accordance with Generally Accepted Accounting Principles (GAAP) for interim financial statements and the applicable rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all information and footnote disclosures normally included for complete financial statements. While we believe the disclosures presented are adequate for interim reporting, these interim financial statements should be read in conjunction with the financial statements and notes included in our 2005 Form 10-K.

In the opinion of management, the accompanying unaudited financial statements contain all adjustments necessary for a fair presentation of our financial statements for the interim periods presented. The results of operations for the three and nine months ended September 30, 2006 are not necessarily indicative of the results to be expected for the entire year.

Use of Estimates. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions which affect amounts reported in the financial statements and related notes. Actual results could differ from management s estimates. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the period they are determined to be necessary.

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Segment Reporting. The Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 131, *Disclosures about Segments of an Enterprise and Related Information*, establishes standards for reporting financial and descriptive information about an enterprise s reportable segments. Although our multifamily communities are geographically diversified throughout the United States, management evaluates operating performance on an individual property level. However, as each of our apartment communities has similar economic characteristics, residents, and products and services, our apartment communities have been aggregated into one reportable segment with activities related to the ownership, development, construction and management of multifamily communities. Our multifamily communities generate rental revenue and other income through the leasing of apartment homes, which comprised 95.5% and 94.4% of our total consolidated revenues, excluding non-recurring gains on technology investments, for the nine months ended September 30, 2006 and 2005, respectively.

Real Estate Assets, at Cost. Real estate assets are carried at cost plus capitalized carrying charges. Carrying charges are primarily interest and real estate taxes which are capitalized as part of properties under development. Expenditures directly related to the development, acquisition and improvement of real estate assets, excluding internal costs relating to acquisitions of operating properties, are capitalized at cost as land, buildings and improvements. Indirect development costs, including salaries and benefits and other related costs attributable to the development of properties, are also capitalized. All construction and carrying costs are capitalized and reported on the balance sheet in properties under development until the apartment homes are substantially completed. Upon substantial completion of the apartment homes, the total cost for the apartment homes and the associated land is transferred to buildings and improvements and land, respectively, and the assets are depreciated over their estimated useful lives using the straight-line method of depreciation.

Upon the acquisition of real estate, we assess the fair value of acquired assets, including land, buildings, the value of in-place leases, including above and below market leases, and acquired liabilities. We then allocate the purchase price of the acquired property based on relative fair value. We assess fair value based on estimated cash flow projections and available market information.

Carrying charges, principally interest and real estate taxes, of land under development and buildings under construction are capitalized as part of properties under development and buildings and improvements to the extent such charges do not cause the carrying value of the asset to exceed its net realizable value. Capitalized interest was \$5.3 million and \$16.0 million for the three and nine months ended September 30, 2006, respectively, and \$5.0 million and \$12.7 million for the three and nine months ended September 30, 2005, respectively. Capitalized real estate taxes were \$0.7 million and \$2.3 million for the three and nine months ended September 30, 2006, respectively, and \$0.6 million and \$2.4 million for the three and nine months ended September 30, 2005, respectively. All operating expenses associated with completed apartment homes for properties in the development and leasing phase are expensed. Upon substantial completion of the project, all apartment homes are considered operating and we begin expensing all items which were previously considered carrying costs.

We capitalized \$39.4 million and \$28.7 million during the nine months ended September 30, 2006 and 2005, respectively, of renovation and improvement costs which we believe extended the economic lives and enhanced the earnings of our multifamily properties. Our estimate of depreciation and amortization incorporates assumptions regarding the useful economic lives and residual values of our assets. At the time we place our assets in service, we believe such assumptions are reasonable; however, circumstances may develop causing us to change these assumptions, which would change our depreciation amounts on a prospective basis. Depreciation and amortization is computed over the expected useful lives of depreciable property on a straight-line basis as follows:

	Estimated Useful Life
Buildings and improvements	5-35 years
Furniture, fixtures, equipment and other	3-20 years
Intangible assets (in-place leases and above and below market leases)	6-13 months

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Property operating and maintenance expense and income from discontinued operations included repair and maintenance expenses totaling \$11.6 million and \$31.2 million for the three and nine months ended September 30, 2006, respectively, and \$10.0 million and \$26.7 million for the three and nine months ended September 30, 2005, respectively. Costs recorded as repair and maintenance include all costs which do not alter the primary use, extend the expected useful life or improve the safety or efficiency of the related asset. Our largest repair and maintenance expenditures related to landscaping, interior painting and floor coverings.

Recent Accounting Pronouncements. In December 2004, the FASB issued SFAS No. 123 (revised 2004), *Share-Based Payment* (SFAS No. 123(R)) requiring the compensation cost relating to share-based payments be recognized over their vesting periods in the income statement based on their estimated fair values. In April 2005, the SEC issued Staff Accounting Bulletin No. 107, "*Shared-Based Payment*" providing for a phased-in implementation process for SFAS No. 123(R). SFAS No. 123(R) is effective for all public entities in the first annual reporting period beginning after June 15, 2005. We adopted SFAS No. 123(R) on January 1, 2006 using the modified prospective method. The impact of adopting this pronouncement is discussed in Note 11 *Share-based Compensation*.

In May 2005, the FASB issued SFAS No. 154 *Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3* (SFAS No. 154). This pronouncement applies to all voluntary changes in accounting principle and revises the requirements for accounting for and reporting a change in accounting principle. SFAS No. 154 requires retrospective application to prior periods financial statements of a voluntary change in accounting principle, unless it is impracticable to do so. This pronouncement also requires changes to the method of depreciation, amortization, or depletion for long-lived, non-financial assets be accounted for as a change in accounting estimate that is effected by a change in accounting principle. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. SFAS No. 154 does not change the transition provisions of any existing accounting pronouncements, including those which are in a transition phase (such as SFAS No. 123(R)) as of the effective date of SFAS No. 154. The adoption of SFAS No. 154 did not have a material impact on our financial position, results of operations or cash flows.

In June 2005, the FASB issued Emerging Issues Task Force (EITF) Issue No. 04-05, "*Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights*." EITF Issue No. 04-05 provides a framework for determining whether a general partner controls, and should consolidate, a limited partnership or a similar entity. EITF Issue No. 04-05 was effective after June 29, 2005, for all newly formed limited partnerships and for any pre-existing limited partnerships that modify their partnership agreements after that date. General partners of all other limited partnerships are required to apply the consensus no later than the beginning of the first reporting period in fiscal years beginning after December 15, 2005. The adoption of EITF Issue No. 04-05 did not have a material impact on our financial position, results of operations or cash flows.

In June 2005, the FASB issued FASB Staff Position (FSP) 78-9-1, *Interaction of AICPA Statement of Position 78-9 and EITF Issue No. 04-05*. The EITF acknowledged the consensus in EITF Issue No. 04-05 conflicted with certain aspects of Statement of Position (SOP) 78-9, *Accounting for Investments in Real Estate Ventures*. The EITF agreed with the assessment of whether a general partner, or the general partners as a group, controls a limited partnership should be consistent for all limited partnerships, irrespective of the industry within which the limited partnership operates. Accordingly, the guidance in SOP 78-9 was amended in FSP 78-9-1 to be consistent with the guidance in EITF Issue No. 04-05. The effective dates for this FSP are the same as those mentioned above in EITF Issue No. 04-05. The adoption of FSP 78-9-1 did not have a material impact on our financial position, results of operations or cash flows.

In April 2006, the FASB issued FSP FASB Interpretation (FIN) 46(R)-6, *Determining the Variability to Be Considered in Applying FASB Interpretation No. 46(R)*. FIN 46(R)-6 addresses how a reporting enterprise should determine variability associated with a variable interest entity or variable interests in an entity when applying the provisions of FIN 46(R) and is effective for reporting periods beginning after June 15, 2006. We will evaluate the impact of FIN 46(R)-6 at the time any reconsideration event occurs, as defined by the provisions of FIN 46(R), and for any new entities with which we become involved in future periods.

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In June 2006, the FASB issued FIN 48, *Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109*, which clarifies the accounting for uncertainty in tax positions. FIN 48 requires we recognize in our financial statements the impact of a tax position, if the position is more likely than not of being sustained on audit, based on the technical merits of the position. FIN 48 is effective for fiscal years beginning after December 15, 2006. We are in the process of assessing the impact of FIN 48 and have not determined what impact, if any, our adoption will have on our financial position, results of operations or cash flows.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements. The statement does not require new fair value measurements, but is applied to the extent other accounting pronouncements require or permit fair value measurements. The statement emphasizes fair value as a market-based measurement which should be determined based on assumptions market participants would use in pricing an asset or liability. We will be required to disclose the extent to which fair value is used to measure assets and liabilities, the inputs used to develop the measurements, and the effect of certain of the measurements on earnings (or changes in net assets) for the period. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. We do not anticipate the adoption of this statement will have a material impact on our financial position, results of operations or cash flows.

In September 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132(R)*, which requires an employer to recognize the over-funded or under-funded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in funded status in the year in which the changes occur through comprehensive income of a business entity. SFAS No. 158 also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. This statement is effective for fiscal years ending after December 15, 2006. We do not anticipate the adoption of this statement will have a material impact on our financial position, results of operations or cash flows.

Reclassifications. Certain reclassifications have been made to amounts in prior period financial statements to conform with current period presentations. In our Consolidated Statements of Operations for the three and nine months ended September 30, 2006, we present separately income and expense on deferred compensation plans. In the accompanying Consolidated Statements of Operations, we reclassified the income and expense on deferred compensation plans to be consistent with our 2006 presentation which resulted in a \$3.2 million and \$5.3 million increase to non-property income and to other expenses for the three and nine months ended September 30, 2005, respectively.

We reclassified two properties previously included in discontinued operations to continuing operations during the nine months ended September 30, 2006 as management made the decision not to sell these assets. As a result, we adjusted the current and prior period consolidated financial statements to reflect the necessary reclassifications. Additionally, we recorded a depreciation charge of \$2.6 million during the nine months ended September 30, 2006 on these assets in accordance with the provisions of SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*.

3. Merger with Summit Properties Inc.

On February 28, 2005, Summit Properties Inc. (Summit) was merged with and into Camden Summit Inc., one of our wholly-owned subsidiaries (Camden Summit), pursuant to an Agreement and Plan of Merger dated as of October 4, 2004 (the Merger Agreement), as amended. Prior to the effective time of the merger, Summit was the sole general partner of Summit Properties Partnership, L.P. (the Camden Summit Partnership). At the effective time of the merger, Camden Summit became the sole general partner of the Camden Summit Partnership and the name of the partnership was changed to Camden Summit Partnership, L.P. As of February 28, 2005, Summit owned or held an ownership interest in 48 operating communities comprised of 15,002 apartment homes with an additional 1,834 apartment homes under construction in five new communities.

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The aggregate consideration paid for the merger was as follows:
(in thousands)

Fair value of Camden common shares issued	\$ 544,065
Fair value of Camden Summit Partnership units issued	81,564