

AVALONBAY COMMUNITIES INC

Form 424B5

December 06, 2012

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Filed pursuant to Rule 424(b)(5)  
(File number 333-179720)

**CALCULATION OF REGISTRATION FEE**

<b>Title of Securities Being Registered</b>	<b>Maximum Aggregate Offering Price</b>	<b>Amount of Registration Fee</b>
2.85% Notes due 2023	\$250,000,000	\$34,100(1)

(1)

The registration fee of \$34,100 is calculated in accordance with Rules 457(o) and 457(r) under the Securities Act of 1933, as amended (the "Securities Act"). In accordance with Rules 456(b) and 457(r) under the Securities Act, the registrant initially deferred payment of all of the registration fee for Registration Statement No. 333-179720 filed by the registrant on February 27, 2012.

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Pricing Supplement No. 15 dated December 5, 2012  
(To Prospectus dated February 27, 2012 and  
Prospectus Supplement dated September 6, 2012)

Medium-Term Notes Fixed Rate

**2.85% Notes due 2023**

Principal Amount: \$250,000,000  
Net Proceeds to Issuer: \$246,425,000  
Stated Maturity Date: March 15, 2023  
Original Issue Date: December 14, 2012  
Interest Payment Dates: March 15 and September 15  
Redemption:

Issue Price (Public Offering Price): 99.220%  
Agents' Discount Commission: 0.650%  
Interest Rate: 2.85%  
CUSIP: 05348E AR0  
First Interest Payment Date: March 15, 2013

The Notes cannot be redeemed prior to the Stated Maturity Date at the option of the issuer.

The Notes may be redeemed prior to the Stated Maturity Date at the option of the issuer.

Initial Redemption Date: See Additional/Other Terms of the Notes.

Initial Redemption Percentage/Redemption Price: See Additional/Other Terms of the Notes.

Annual Redemption Percentage Reduction: N/A

Optional Repayment:

The Notes cannot be required to be repaid prior to the Stated Maturity Date at the option of the Holder of the Notes.

The Notes can be repaid prior to the Stated Maturity Date at the option of the Holder of the Notes.

Optional Repayment Dates:

Repayment Price: %

Currency:

Specified Currency: U.S. Dollars (If other than U.S. Dollars, see attached)

Minimum Denominations:  
(Applicable only if Specified Currency is other than U.S. Dollars)

Original Issue Discount ("OID"):  Yes  No

Total Amount of OID:

Yield to Maturity:

Initial Accrual Period:

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Form:     Book-Entry     Certificated

Agent:    Goldman, Sachs & Co.  
           UBS Securities LLC

J.P. Morgan Securities LLC  
 Other (names):  
Barclays Capital Inc.  
Deutsche Bank Securities Inc.  
Merrill Lynch, Pierce, Fenner & Smith  
                  Incorporated  
Wells Fargo Securities, LLC  
BNY Mellon Capital Markets, LLC  
PNC Capital Markets LLC  
SunTrust Robinson Humphrey, Inc.

Agent acting in the capacity as indicated below:

Agent    Principal

If as Principal:

The Notes are being offered at varying prices related to prevailing market prices at the time of resale.

The Notes are being offered at a fixed initial public offering price of 99.220% of principal amount.

If as Agent:

The Notes are being offered at a fixed initial public offering price of    % of Principal Amount.

Exchange Rate Agent: N/A

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**Additional/Other Terms of the Notes**

*Other Terms:*

*Reopening of Issue.* We may, from time to time and without the consent of the noteholders, reopen an issue of notes and issue additional notes having the same terms and conditions (including maturity, interest payment terms and CUSIP number) as notes issued on an earlier date, except for the issue date, issue price and, if applicable, the first payment of interest. After such additional notes are issued, they will be fungible with the notes issued on such earlier date.

*Optional Redemption.* The Notes may be redeemed at any time at the option of AvalonBay, in whole or in part, upon notice of not more than 60 and not less than 30 days prior to the Redemption Date, at a Redemption Price equal to the sum of (i) the principal amount of the Notes being redeemed, plus accrued interest thereon to the Redemption Date and (ii) the Make-Whole Amount, if any, with respect to such Note. If the Notes are redeemed on or after 90 days prior to the Maturity Date, the Redemption Price will equal 100% of the principal amount of the Notes being redeemed plus accrued interest thereon to the Redemption Date.

*Acceleration of Maturity; Make-Whole Amount.* If an Event of Default with respect to the Notes that are then outstanding occurs and is continuing, and pursuant to Section 2.7 of the Amended and Restated Third Supplemental Indenture dated as of July 10, 2000 (the "Third Supplemental Indenture"), the Trustee or the Holders of not less than 25% in principal amount of the then outstanding Notes of this series shall have declared the principal amount (or, if the Notes of this series are Original Issue Discount Securities or Indexed Securities, such portion of the principal as may be specified in the terms hereof) of all the Notes of this series to be due and payable immediately, by a notice in writing to AvalonBay (and to the Trustee if given by the Holders), then upon any such declaration such principal, or specified portion thereof, plus accrued interest to the date the Notes of this series are paid, plus the Make-Whole Amount on the Notes, shall become immediately due and payable. With respect to the Notes of this series, if an Event of Default set forth in Section 501(6) of the Indenture, dated as of January 16, 1998, between AvalonBay and the Trustee (the "Indenture") occurs and is continuing, such that pursuant to Section 2.7 of the Third Supplemental Indenture all the Notes of this series are immediately due and payable, without notice to AvalonBay, at the principal amount thereof (or, if the Notes of this series are Original Issue Discount Securities or Indexed Securities, such portion of the principal as may be specified in the terms of the Notes), plus accrued interest to the date the Notes are paid, then the Make-Whole Amount on the Notes shall also be immediately due and payable.

*Definitions.* Terms used but not defined herein shall have the meanings set forth in the Indenture and the Third Supplemental Indenture. The following terms shall have the following meanings:

"Make-Whole Amount" means, in connection with any optional redemption or accelerated payment of any Note, the excess, if any, of (i) the aggregate present value as of the date of such redemption or accelerated payment of each dollar of principal being redeemed or paid and the amount of interest (exclusive of interest accrued to the date of redemption or accelerated payment) that would have been payable in respect of such dollar if such redemption or accelerated payment had not been made, determined by discounting, on a semi-annual basis, such principal and interest at the Reinvestment Rate (determined on the third Business Day preceding the date such notice of Redemption is given or declaration of acceleration is made) from the respective dates on which such principal and interest would have been payable if such redemption or accelerated payment had not been made, over (ii) the aggregate principal amount of the Notes being redeemed or paid.

"Reinvestment Rate" means twenty five (25) basis points plus the arithmetic mean of the yields under the respective headings "This Week" and "Last Week" published in the Statistical Release under the caption "Treasury Constant Maturities" for the maturity (rounded to the nearest month)

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corresponding to the remaining life to maturity, as of the payment date of the principal being redeemed or paid. If no maturity exactly corresponds to such maturity, yields for the two published maturities most closely corresponding to such maturity shall be calculated pursuant to the immediately preceding sentence and the Reinvestment Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding in each of such relevant periods to the nearest month. For such purposes of calculating the Reinvestment Rate, the most recent Statistical Release published prior to the date of determination of the Make-Whole Amount shall be used.

"Statistical Release" means the statistical release designated "H.15(519)" or any successor publication which is published weekly by the Federal Reserve System and which establishes yields on actively traded United States government securities adjusted to constant maturities or, if such statistical release is not published at the time of any determination of the Make-Whole Amount, then such other reasonably comparable index which shall be designated by AvalonBay.

**Recent Developments**

On November 26, 2012, AvalonBay Communities, Inc., or the Company or AvalonBay, entered into an asset purchase agreement, or the Purchase Agreement, with (i) Equity Residential and its operating partnership, ERP Operating Partnership LP, or, collectively, Equity Residential, (ii) Lehman Brothers Holdings Inc., or Lehman, and (iii) Archstone Enterprise LP, or Archstone, pursuant to which we and Equity Residential will acquire, directly or indirectly, all of the assets and entities owned by, and all of the liabilities of, Archstone (other than certain excluded liabilities).

Pursuant to the Purchase Agreement and separate arrangements between us and Equity Residential governing the allocation of liabilities to be assumed under the Purchase Agreement, our portion of consideration under the Purchase Agreement is approximately \$6.9 billion, and consists of the following:

the issuance of 14,889,706 shares of our common stock to Archstone, valued at \$1.9 billion, using the closing price for our common stock on the New York Stock Exchange on November 23, 2012 of \$128.54;

\$669.0 million in cash;

the assumption of indebtedness with a fair value of approximately \$4.1 billion, consisting of \$3.7 billion principal amount for consolidated borrowings, \$238.3 million principal amount for our proportionate share of debt related to unconsolidated joint ventures, and \$197.5 million representing the amount by which the fair value of the aforementioned debt exceeds the principal face value;

an obligation to pay, when presented for redemption from time to time, approximately \$132.2 million in respect of the liquidation value of and accrued dividends on outstanding Archstone preferred units; and

the assumption of 40% of all other liabilities, known or unknown, of Archstone, other than certain excluded liabilities.

For this consideration, we will acquire a portfolio of direct and indirect interests in apartment communities and net other liabilities that we refer to as the Archstone Portfolio Acquisition.

The Archstone Portfolio Acquisition represents a rare opportunity for us to buy a large portfolio of high-quality apartment communities that is concentrated in our existing high barrier-to-entry markets and is consistent with our strategic objective of more deeply penetrating our chosen markets with a broader range of products and services. For the nine months ended September 30, 2012, 98% of the net operating income, or NOI, from the consolidated apartment communities we expect to acquire in the Archstone Portfolio Acquisition is generated in our existing markets.

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The Archstone Portfolio Acquisition consists of the following:

66 consolidated apartment communities, containing 22,222 apartment homes, of which six communities are under construction and are expected to contain 1,666 apartment homes upon completion;

three parcels of land, which are consolidated and if developed as expected will contain a total of 968 apartment homes;

interests in unconsolidated joint ventures in which we expect to be the general partner or managing member, which own 10 apartment communities containing 2,040 apartment homes, of which one community is under construction and is expected to contain 157 apartment homes upon completion; and

a 40% ownership interest in unconsolidated joint venture arrangements with Equity Residential which will hold assets that we will jointly manage, sell to third parties, and/or subsequently transfer to Equity Residential or to us.

The following table provides the approximate allocation of AvalonBay's investment in the Archstone Portfolio Acquisition:

Archstone Portfolio Acquisition	Acquisition Value(1) (in thousands)
Consolidated stabilized assets	\$ 6,140,323
Development communities under construction	308,819
Land held for future development	49,800
Net equity in unconsolidated joint ventures plus allocated joint venture debt	410,112
<b>Total</b>	<b>\$ 6,909,054</b>

(1) Value is based on the closing price of our common stock on November 23, 2012 and the fair market value of debt we expect to assume.

Under the Purchase Agreement, we will acquire 40% of the assets and liabilities of Archstone and Equity Residential will acquire the remaining 60% of the assets and liabilities of Archstone. We refer herein to 40% and 60% as our respective pro rata shares. We and Equity Residential are jointly and severally liable for most obligations to Lehman under the Purchase Agreement. The Purchase Agreement provides that the closing of the acquisition thereunder must occur within 120 days after execution of the Purchase Agreement. If we and Equity Residential fail to close the acquisition, then Equity Residential and we could be liable for payment of a termination fee of \$800.0 million (or \$650.0 million if the Purchase Agreement is terminated in the first 60 days after signing) as discussed under "Purchase Agreement and Related Arrangements." The Archstone Portfolio Acquisition is also subject to customary closing conditions, which do not include our and Equity Residential's ability to obtain the necessary financing or lender consents for the transaction. Neither we nor Equity Residential could terminate the Purchase Agreement because of a lack of financing or lender consents without incurring the termination fee.

*Common Stock Offering*

On November 28, 2012, we priced an offering of 14,500,000 shares of our common stock, or the Equity Offering, at a price of \$130 per share. In connection with the Equity Offering, we granted the underwriters a 30-day option to purchase 2,175,000 additional shares of our common stock, which the underwriters exercised in full on November 29, 2012. The offering closed on December 5, 2012, and we received approximately \$2.1 billion of net proceeds from the offering. We intend to use the net proceeds from the Equity Offering to repay a portion of the debt that we assume in connection with

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the Archstone Portfolio Acquisition, to fund the cash consideration due in connection with the Archstone Portfolio Acquisition, and to fund the fees, costs and expenses related thereto or, if the Archstone Portfolio Acquisition does not occur, for general corporate purposes. We cannot assure you that we will consummate the Archstone Portfolio Acquisition. This offering is not contingent on the closing of the Archstone Portfolio Acquisition.

### *The Archstone Portfolio*

We believe the Archstone Portfolio Acquisition will create strategic, portfolio and financial benefits for us, including the following:

It will increase our ownership of high-quality apartment communities in our existing markets.

It will allow us to more closely align our portfolio allocation with our long-term geographic allocation goals.

It will expand our portfolio into complementary submarkets with more varied product offerings.

It will enable us to more rapidly implement our multi-branding strategy.

It will provide enhanced corporate efficiencies due to our increased scale.

*High-Quality Portfolio Concentrated in Our Markets.* The following table provides the percentage of NOI generated during the nine months ended September 30, 2012, by region for our consolidated apartment communities, as well as communities that were under construction, or for which substantial redevelopment is planned or that occurred during 2012, pro forma for the Archstone Portfolio Acquisition (dollars in thousands):

Region/Portfolio(1)	AvalonBay		Archstone Portfolio(3)		Pro Forma	
	NOI YTD 2012(2)	% of Total NOI	NOI YTD 2012(2)	% of Total NOI	NOI YTD 2012(2)	% of Total NOI
New England	\$ 99,277	19%	\$ 7,433	3%	\$ 106,710	14%
Metro NY/NJ	156,135	29%	31,336	14%	187,471	25%
Mid-Atlantic	71,401	14%	61,727	29%	133,128	18%
Pacific Northwest	27,241	5%	5,471	3%	32,712	4%
Northern California	102,335	19%	31,544	15%	133,879	18%
Southern California	74,287	14%	72,910	34%	147,197	20%
Non-Core and Other	447	0%	5,227	2%	5,674	1%
<b>Total NOI</b>	<b>\$ 531,123</b>	<b>100%</b>	<b>\$ 215,648</b>	<b>100%</b>	<b>\$ 746,771</b>	<b>100%</b>

- 
- (1) NOI for the nine months ended September 30, 2012 for consolidated apartment communities, excluding NOI from apartment communities in joint ventures. NOI is a non-GAAP financial measure. For a description of how we define NOI and a reconciliation of NOI to net income, please see "Reconciliation of Non-GAAP Financial Measures."
- (2) GAAP net income for AvalonBay, the Archstone Portfolio Acquisition, and on a pro forma basis, assuming the acquisition of the portfolio, was \$301,178, \$43,425 and \$344,603, respectively, for the nine months ended September 30, 2012.
- (3) NOI for the nine months ended September 30, 2012 for this portfolio includes \$26 for communities for which construction is not complete but leasing activity has begun.



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For the nine months ended September 30, 2012, pro forma for the Archstone Portfolio Acquisition, 99% of the NOI from our apartment communities would be concentrated in our existing high barrier-to-entry markets.

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In connection with the Archstone Portfolio Acquisition, we will acquire interests in certain non-core assets or communities in non-core markets for us, including interests in assets in Texas, Florida and Germany. Some of these interests will be held and managed in a joint venture with Equity Residential, pending disposition or assignment to Equity Residential or us.

*Achieving Geographic Portfolio Allocation Goals.* We believe that the Archstone Portfolio Acquisition will allow us to bring our overall portfolio more closely in line with our long-term goals for regional allocation. In particular, our current Southern California portfolio is expected to grow from approximately 10,400 apartment homes at September 30, 2012 to approximately 19,200 apartment homes pro forma for the Archstone Portfolio Acquisition. Other geographic allocation adjustments expected to be achieved through the Archstone Portfolio Acquisition include a reduction in our relative concentration in the New England and Metro New York/New Jersey regions (where relatively few of the Archstone Portfolio Acquisition apartment communities to be acquired by us are located) and an increase in our Mid-Atlantic region presence.

*Complementary Submarket and Product Positioning.* Many of the apartment communities to be acquired by us in the Archstone Portfolio Acquisition are located in submarkets that are different than, but complementary to, the submarkets where our current apartment communities are located within each of our six main market regions. For example, in the Mid-Atlantic region, our existing apartment communities are more concentrated in suburban locations such as the Rockville/Gaithersburg corridor in suburban Maryland and the Tysons Corner and Fairfax submarkets in Northern Virginia. By contrast, the Archstone Portfolio Acquisition apartment communities in the Mid-Atlantic Region are concentrated in more urban, higher density submarkets such as the Rosslyn/Ballston corridor in Arlington, Virginia and the Wisconsin/Connecticut Avenue NW corridor in Washington D.C. We believe that many of the apartment communities to be acquired by us in the Archstone Portfolio Acquisition are also positioned to appeal to a somewhat different consumer segment than our existing assets based on the different characteristics of the Archstone Portfolio Acquisition apartment communities, which are generally more heavily weighted towards smaller apartments in high-rise buildings. We believe the Archstone Portfolio Acquisition will provide us with a more diversified portfolio with broader product offerings within each region where we currently do business.

*Increased Scale Supports our Multi-Brand Strategy.* We recently introduced a three brand strategy. We are currently in the process of rolling out our two new brands (*AVA* and *Eaves by Avalon*) at certain of our existing apartment communities and refining our core *Avalon* brand. We believe that the Archstone Portfolio Acquisition will allow us to extend our three brand platform across additional assets in an efficient manner, bringing these brands to a meaningful market presence sooner than we otherwise would be able to do so.

*Enhanced Corporate Efficiencies Due to Increased Scale.* We expect that the increased scale of our apartment community portfolio from the Archstone Portfolio Acquisition will require a lower proportionate increase in our corporate and property management overhead and general and administrative expenses. We believe that our corporate support functions, including our customer care center in Virginia Beach and our marketing, customer insight, and market research groups in our corporate headquarters in Arlington, Virginia, are positioned to allow for absorption of additional assets to provide additional operating leverage.

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The properties that will be part of the overall transaction involving Archstone and the assets and liabilities to be held by certain joint ventures we expect to form with Equity Residential are subject to final adjustment at closing between us and Equity Residential pursuant to arrangements separate from the Purchase Agreement. These arrangements are designed to account for ongoing changes in the status of the assets and liabilities up until closing. For example, some of the properties and other assets may be sold and liabilities may be settled before closing. As a result, the final allocation between us and Equity Residential of the properties, other assets and liabilities in connection with the overall transaction involving Archstone could change and impact the amount of consideration to be paid by us under the Purchase Agreement.

*Assumed Indebtedness*

We will assume approximately \$3.7 billion principal amount of consolidated indebtedness in connection with the Archstone Portfolio Acquisition. Of this amount, Fannie Mae and Freddie Mac (the Government Sponsored Enterprises or the GSEs) are the lenders in connection with approximately (i) \$2.8 billion of pooled debt, (ii) \$463.4 million of tax-exempt bond financing for which the GSEs provide credit enhancement and liquidity and (iii) \$104.4 million of other single asset loans (collectively, the GSE Indebtedness). We have entered into a commitment letter with each of Fannie Mae and Freddie Mac whereby they have provided us with their consents to the transaction contemplated by the Purchase Agreement and our and Equity Residential's assumption of the allocable portions of the loans made to Archstone. In connection with such consents, we have agreed to repay approximately \$200.0 million of the GSE Indebtedness owed to Fannie Mae at the closing of the Archstone Portfolio Acquisition. In addition, with the net proceeds of an equity offering which we priced on November 29, 2012, we also intend to repay \$753.0 million of GSE Indebtedness and other assumed indebtedness, bringing the total amount of assumed indebtedness that we expect to repay at the closing of the Archstone Portfolio Acquisition to \$953.0 million. See "Common Stock Offering." The following table sets forth the consolidated indebtedness we will assume as of September 30, 2012, and on a pro forma basis giving effect to the repayment of indebtedness as discussed above.

Community / Debt Facility	Stated Interest Rate	Principal Final Maturity Date	Balance Outstanding at 9/30/12(1) (in thousands)	Pro forma Balance Outstanding at 9/30/12(1) (in thousands)
<b>Tax-exempt bonds</b>				
<i>Fixed Rate</i>				
Meadowbrook	4.61%	Nov-2036	\$ 62,200	\$ 62,200
<i>Variable rate</i>				
Clinton (North)	SIFMA + 1.53%	Nov-2038	143,409	143,409
Clinton (South)	SIFMA + 1.53%	Nov-2038	118,532	118,532
Midtown West	SIFMA + 1.13%	May-2029	99,537	99,537
San Bruno	SIFMA + 1.35%	Dec-2037	61,875	61,875
Calabasas	SIFMA + 1.48%	Apr-2028	40,073	40,073
			463,426	463,426

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Community / Debt Facility	Stated Interest Rate	Principal Final Maturity Date	Balance Outstanding at 9/30/12(1) (in thousands)	Pro forma Balance Outstanding at 9/30/12(1) (in thousands)
<b>Conventional loans</b>				
<i>Fixed Rate</i>				
Fannie Mae Pool 6(2)	6.19%	Nov-2015	940,923	940,923
Fannie Mae Pool 2(2)	6.26%	Nov-2017	692,192	692,192
First and M	5.57%	May-2053	116,166	116,166
San Bruno II	5.37%	Apr-2021	31,700	31,700
Meadowbrook	4.70%	Nov-2036	22,493	22,493
Lexington	5.55%	Mar-2016	17,079	17,079
			1,820,553	1,820,553
<i>Variable rate</i>				
Fannie Mae Pool 9(2)	LIBOR + 1.27%	Nov-2014	636,756	
Freddie Mac Pool	LIBOR + 0.96%	Nov-2014	412,724	304,375
South San Francisco(3)	DMBS + 1.00%	Apr-2013	76,706	
Calabasas	DMBS + 1.44%	Aug-2018	57,781	57,781
San Bruno III	LIBOR + 2.60%	May-2013	47,000	47,000
Wheaton Station(3)	DMBS + 1.00%	Apr-2013	44,539	
La Mesa(3)	DMBS + 1.00%	Apr-2013	24,755	
Oakwood Gaithersburg	FRMB + 3.79%	Jan-2017	14,876	
Parkland Gardens	LIBOR + 2.25%	May-2017	12,935	
Toscano	LIBOR + 6.00%	May-2016	31,938	
Memorial Heights	LIBOR + 2.50%	May-2017	2,143	
			1,362,153	409,156
			\$ 3,708,332	\$ 2,755,335

- (1) Balances are for consolidated debt assumed and do not include our share of the principal amount of debt held by unconsolidated joint ventures of approximately \$238.3 million. Balances are also presented exclusive of amounts held in principal reserve funds that are held for the repayment of the respective borrowing. The pro forma balance outstanding reflects expected repayments of indebtedness as of the closing of the Archstone Portfolio Acquisition exclusive of the possible application of all or a portion of the proceeds from this offering to repay some of this indebtedness.
- (2) Borrowings are cross-defaulted.
- (3) Borrowings are cross-collateralized and cross-defaulted as part of a pooled financing with respect to the apartment communities.

The summaries of the Archstone Portfolio Acquisition and related matters, including, but not limited to, the Purchase Agreement and other agreements we have entered into or will enter into in connection with the Archstone Portfolio Acquisition, are qualified in their entirety by reference to the descriptions thereof contained in our Current Report on Form 8-K filed with the SEC on November 26, 2012, which is incorporated herein by reference, and the exhibits filed with that Form 8-K. See also "About This Prospectus Supplement; Pricing Supplements" on page S-3 of the accompanying prospectus supplement and "About this Prospectus" and "Where You Can Find More Information" on page 13 of the accompanying prospectus.

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**Risk Factors**

In addition to the other information contained in this pricing supplement and the accompanying prospectus supplement and prospectus, you should carefully consider the risks described below and in the accompanying prospectus supplement and prospectus under the heading "Risk Factors" and any additional information and risk factors described in the documents incorporated by reference in the accompanying prospectus supplement and prospectus, including (i) our Annual Report on Form 10-K, (ii) our Quarterly Reports on Form 10-Q and (iii) any other documents we file with the SEC after the date of the accompanying prospectus supplement or prospectus that are deemed incorporated by reference in the accompanying prospectus supplement or prospectus before making a decision to invest in the Notes. These risks are not the only risks we face. Additional risks not presently known to us or that we currently deem immaterial may also adversely affect our business operations. These risks could adversely affect, among other things, our business, financial condition, results of operations or cash flows, and could cause the trading price of the Notes to decline, resulting in the loss of all or part of your investment.

***We may fail to consummate the Archstone Portfolio Acquisition or may not consummate it on the terms described herein.***

We expect to consummate the Archstone Portfolio Acquisition during the first quarter of 2013, assuming that all of the conditions in the Purchase Agreement are satisfied or waived. The consummation of the Archstone Portfolio Acquisition, however, is subject to certain closing conditions, including conditions that must be met by Equity Residential and which are beyond our control, and there can be no assurance that such conditions will be satisfied on the anticipated schedule or at all. In addition, under circumstances specified in the Purchase Agreement, we or Lehman may terminate the Purchase Agreement. As a result, there can be no assurance that the Archstone Portfolio Acquisition will be consummated in its entirety in accordance with the anticipated timing or at all.

This offering is not conditioned on the consummation of the Archstone Portfolio Acquisition. Therefore, upon the closing of this offering, you will become a holder of the Notes irrespective of whether the Archstone Portfolio Acquisition is consummated, delayed, restructured or terminated. If this offering is consummated and the Archstone Portfolio Acquisition does not occur, we may be unable to timely invest the net proceeds from this offering in real estate investments, and our cash flows may be harmed, which could cause the trading price of the Notes to decline. In addition, if the Archstone Portfolio Acquisition does not occur we will not recover our costs and expenses incurred in connection with the transaction and we may be liable for all or a portion of the \$800.0 million termination fee, if payable.

***We and/or Equity Residential may fail to perform under the Purchase Agreement or may not perform on the terms prescribed.***

We don't believe that we could meet, or that Equity Residential could meet, the obligations, as buyer, set forth in the Purchase Agreement without the timely performance of the other. Thus, we and Equity Residential are dependent upon the performance of the other to meet the buyer's obligations under the Purchase Agreement. A default by either party under the Purchase Agreement could give rise to adverse consequences to the breaching party pursuant to certain arrangements between us and Equity Residential. Under our arrangements with Equity Residential, if the termination of the Purchase Agreement is solely a result of a breach by either us or Equity Residential then the breaching party shall be solely responsible for, and shall indemnify the non-breaching party against, the fees and expenses, including the termination fee of up to \$800.0 million, payable to Lehman resulting from a failure to consummate the acquisition, and any out-of-pocket expenses incurred by such non-breaching party in connection with enforcing its rights against the breaching party.

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***If we cannot assume the Archstone indebtedness that we expect to assume, we will be adversely affected and may be unable to close the Archstone Portfolio Acquisition.***

We expect to assume approximately \$2.7 billion principal amount of Archstone's consolidated debt to Fannie Mae. We have received a letter from Fannie Mae consenting to the contemplated transaction and our assumption of this indebtedness, but if Fannie Mae does not fulfill its commitment to us it is unlikely that we will have the resources to repay such debt and we will likely default on our obligations under the Purchase Agreement, causing us to incur the termination fee.

We also expect to assume indebtedness from other lenders. We expect to approach and obtain the consent of most of these other lenders prior to closing. However, to the extent we cannot obtain the consent of the other lenders with respect to a significant amount of Archstone's indebtedness to them, we would be required to repay such indebtedness in order to close. This could cause us to incur significant repayment fees and use financial resources that we do not expect to use to repay such indebtedness, including through borrowings under a Bridge Loan Facility (for which we have a commitment), and this could adversely impact the benefits we expect from the transaction.

***We intend to assume indebtedness in connection with the Archstone Portfolio Acquisition, which may have an adverse effect on our financial condition, results of operations, cash flows and the trading price of the Notes.***

We intend to assume \$3.7 billion principal amount of consolidated indebtedness in connection with the Archstone Portfolio Acquisition, which will increase our leverage and the ratio of our net debt to our earnings before interest, tax, depreciation and amortization.

The Equity Offering and this offering of Notes are part of a larger financing plan in connection with the Archstone Portfolio Acquisition designed to allow us to repay or refinance over time a portion of assumed indebtedness. There can be no assurance, however, that we will be able to reduce or refinance, over time, to the extent we anticipate, the indebtedness we are assuming. Therefore, the indebtedness we assume at closing of the Archstone Portfolio Acquisition could have adverse consequences on our business, such as:

requiring us to use a substantial portion of our cash flow from operations to service our indebtedness, which would reduce the available cash flow to fund working capital, capital expenditures, development projects and other general corporate purposes such as dividends;

limiting our ability to obtain additional financing to fund our working capital needs, acquisitions, capital expenditures or other debt service requirements or for other purposes;

limiting our ability to compete with other companies who are not as highly leveraged, as we may be less capable of responding to adverse economic and industry conditions;

restricting us from making strategic acquisitions, developing properties or exploiting business opportunities;

restricting the way in which we conduct our business because of financial and operating covenants in the agreements governing our and our subsidiaries' existing and future indebtedness;

exposing us to potential events of default (if not cured or waived) under financial and operating covenants contained in our or our subsidiaries' debt instruments that could have an adverse effect on our business, financial condition and operating results;

increasing our vulnerability to a downturn in general economic conditions; and

limiting our ability to react to changing market conditions in our industry.



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In addition to our debt service obligations, our operations may require substantial investments on a continuing basis. Our ability to make scheduled debt payments, to refinance our obligations with respect to our indebtedness and to fund capital and non-capital expenditures necessary to maintain the condition of our operating assets and properties, as well as to provide capacity for the growth of our business, depends on our financial and operating performance, which, in turn, is subject to prevailing economic conditions and financial, business, competitive, legal and other factors.

***We will incur substantial expenses and payments even if the Archstone Portfolio Acquisition is not completed.***

We have incurred substantial legal, accounting, financial advisory and/or other costs and our management has devoted considerable time and effort in connection with the Archstone Portfolio Acquisition. If the Archstone Portfolio Acquisition is not completed, we will bear certain fees and expenses associated with the Archstone Portfolio Acquisition without realizing the benefits of the Archstone Portfolio Acquisition. The fees and expenses may be significant and could have an adverse impact on our operating results. For instance, if Lehman terminates the Purchase Agreement due to a breach by us or a failure by us to satisfy a condition precedent to Lehman's obligation to close the Archstone Portfolio Acquisition, we would be obligated to pay to Lehman a termination fee of up to \$800.0 million.

***The intended benefits of the Archstone Portfolio Acquisition may not be realized, which could have a negative impact on business, results of operations and cash flows, which could negatively affect the trading price of the Notes.***

The Archstone Portfolio Acquisition poses risks for our ongoing operations, including that:

our senior management's attention may be diverted from the management of daily operations to the integration of the Archstone Portfolio Acquisition, including management of assets located outside of our core markets pending liquidation;

we may bear costs and expenses associated with any undisclosed or potential liabilities;

the Archstone Portfolio Acquisition may not perform as well as we anticipate; and

unforeseen difficulties may arise in integrating the Archstone Portfolio Acquisition into our portfolio.

Also, we expect to acquire assets and assume liabilities in connection with the Archstone Portfolio Acquisition on an "as is" basis with only limited representations from Lehman surviving after the closing of the Archstone Portfolio Acquisition, which limits our recourse against the seller for breaches of representations after closing, which in turn may expose us to unexpected material losses or expenses after the closing.

In addition, our diligence investigations with respect to the assets comprising the Archstone Portfolio Acquisition, have been more limited than would be the case if we were acquiring individual apartment communities or land parcels, which may also expose us to unexpected material losses or expenses after the closing.

As a result of the foregoing, we cannot assure you that the Archstone Portfolio Acquisition will be accretive to us in the near term or at all. Furthermore, if we fail to realize the intended benefits of the Archstone Portfolio Acquisition, our business, financial condition and cash flows would be negatively affected, which could negatively affect the trading price of the Notes.



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***Our business and the trading price of the Notes may be adversely affected if the Archstone Portfolio Acquisition is not completed.***

The Archstone Portfolio Acquisition is subject to customary closing conditions. If the Archstone Portfolio Acquisition is not completed, we could be subject to a number of risks that may adversely affect our business and the market price of the Notes, including:

our management's attention may be diverted from our day-to-day business and our employees and our relationships with customers may be disrupted as a result of efforts relating to attempting to consummate the Archstone Portfolio Acquisition;

the market price of our Notes may decline to the extent that the yield to maturity on the Notes reflects a market assumption that the Archstone Portfolio Acquisition will be completed;

we must pay certain costs related to the Archstone Portfolio Acquisition, such as legal and accounting fees and expenses, regardless of whether the Archstone Portfolio Acquisition is consummated; and

we would not realize the benefits we expect to realize from consummating the Archstone Portfolio Acquisition.

***The governance provisions of our joint ventures with Equity Residential could adversely affect our flexibility in dealing with such joint venture assets and liabilities.***

In connection with the Archstone Portfolio Acquisition, we will create joint ventures with Equity Residential to manage certain of the acquired assets and liabilities. These structures involve participation in the investment by Equity Residential whose interests and rights may not be the same as ours. Joint ownership of an investment in real estate involves risks not associated with direct ownership of real estate, including the risk that Equity Residential may at any time have economic or other business interests or goals which become inconsistent with our business interests or goals, including inconsistent goals relating to the sale of properties held in the joint ventures or the timing of the termination and liquidation of the joint ventures. Under the expected form for the joint venture arrangements, neither we nor Equity Residential expect to have the power to control the ventures, and an impasse could occur, which would adversely affect the applicable joint venture and decrease potential returns to us and our investors.

***We expect to assume substantially all liabilities related to the Archstone Portfolio Acquisition, and may be responsible for liabilities that were not known when we entered into the Purchase Agreement.***

Under the Purchase Agreement, we and Equity Residential will assume substantially all liabilities related to the Archstone portfolio, whether or not they were known by us and Equity Residential at the time we entered into the Purchase Agreement, and we have agreed to indemnify Lehman with respect to these liabilities. Under the Purchase Agreement, we would be solely liable for these obligations if Equity Residential were to default on its obligation to share these indemnification obligations with us. As a result, we could become liable for liabilities that are not currently known to us, and the amount of these liabilities could have an effect on our business, financial condition, results of operations and cash flows, which could negatively affect the trading price of the Notes.

***We intend to liquidate certain assets acquired in connection with the Archstone Portfolio Acquisition at, or shortly after, the expected closing of the Archstone Portfolio Acquisition, but we may be unable to achieve the expected proceeds of these acquisitions or may be unable to liquidate these assets at all.***

We intend to liquidate certain assets acquired in connection with the Archstone Portfolio Acquisition, including assets held in our joint ventures with Equity Residential, after the Archstone Portfolio Acquisition, but we cannot predict whether we will be able to sell any of the properties on

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favorable terms and conditions, if at all, or the length of time needed to sell any of the assets. We may be unable to sell some of the properties, which may adversely affect our liquidity, or we may have to sell properties at depressed prices, which could adversely affect our results of operations and financial condition.

***Our historical and pro forma condensed consolidated financial information may not be representative of our results as a combined company.***

The pro forma condensed consolidated financial information incorporated herein by reference are constructed from the separate financial statements of us and the portfolio we will acquire in connection with the Archstone Portfolio Acquisition and may not represent the financial information that would result from operations of the combined portfolio of apartment communities. In addition, the pro forma condensed consolidated financial information is based in part on certain assumptions that we believe are reasonable. We cannot assure you that our assumptions will prove to be accurate over time. Accordingly, the historical and pro forma condensed consolidated financial information incorporated herein may not reflect what our results of operations and financial condition would have been had our business included the properties we expect to acquire in connection with the Archstone Portfolio Acquisition during the periods presented, or what our results of operations and financial condition will be in the future. The challenge of integrating the properties we expect to acquire in the Archstone Portfolio Acquisition makes evaluating our business and our future financial prospects difficult. Our potential for future business success and operating profitability must be considered in light of the risks, uncertainties, expenses and difficulties typically encountered by companies that have completed significant acquisitions.

***Our qualification as a REIT will depend in part on the nature of the assets and rights to income we acquire as part of the Archstone Portfolio Acquisition and joint ventures with Equity Residential.***

Although we intend to structure our ownership and operations of the Archstone Portfolio Acquisition and our joint ventures with Equity Residential in a way that would allow us to continue to qualify as a real estate income trust, or REIT, for federal income tax purposes, no assurances can be given that we will be successful.

As a result of the Archstone Portfolio Acquisition and our ownership interests in the joint ventures with Equity Residential, we expect to acquire interests in certain assets and earn certain items of income that are not, or may not be, qualifying assets or income for purposes of the REIT asset and income tests. Although we do not expect that the amounts of such non-qualifying assets and income will jeopardize our REIT status, our review of the Archstone Portfolio Acquisition is on-going, and we may discover additional non-qualifying assets or income. We may not have the immediate right to change the terms of pre-existing arrangements that generate non-qualifying items or may have to incur significant penalties to terminate such arrangements. To maintain our REIT qualification we may be required to hold significant assets acquired in connection with the Archstone Portfolio Acquisition and some or all of our interests in the joint ventures with Equity Residential through our taxable REIT subsidiaries, or TRSs. We also may hold certain Archstone Portfolio Acquisition assets through our TRSs to avoid the risk of incurring the 100% prohibited transaction tax on any such assets that we sell at a gain. Our domestic TRSs are subject to U.S. tax as regular corporations. Among the assets included in the Archstone Portfolio Acquisition are subsidiaries intended to qualify as REITs. To the extent we hold such subsidiaries outside of our TRSs, our REIT qualification could depend in part on such subsidiaries' compliance with the REIT requirements before our purchase.

The assets of one of our joint ventures with Equity Residential are expected to include interests in a partnership controlled by Equity Residential. As a result of our ownership interest in that joint venture, for purposes of our compliance with the REIT requirements, we will be treated as owning our proportionate share of the assets of that partnership. Although we expect Equity Residential to operate

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that partnership in compliance with the REIT requirements, because we do not control this joint venture we cannot assure you that it will be operated in compliance with the REIT requirements, and failure to do so could potentially jeopardize our REIT status.

***The Archstone Portfolio Acquisition will significantly increase the size of our real estate portfolio and related personnel and operating and financial needs, and we may not be successful in integrating the Archstone Portfolio Acquisition into our business.***

The Archstone Portfolio Acquisition involves a variety of risks, including potential difficulties in integrating the portfolio, diversions of our management resources, differing levels of management and internal control effectiveness at the acquired entities and other unanticipated problems and liabilities. Any of these risks could adversely affect our financial results and reduce or delay our ability to obtain the expected benefits of the Archstone Portfolio Acquisition.

In addition, the increased need for financial resources that will result from the Archstone Portfolio Acquisition, as well as the diversion of our management resources, may affect our existing development, redevelopment and acquisition portfolios and development rights pipeline. As a result, there may be unexpected delays in the timing of our activities relating to our existing real estate portfolios and development rights pipeline, and we may encounter unexpected costs or we may not succeed in obtaining the expected benefits of our currently expected real estate development, redevelopment and acquisition activities. These issues could also increase our capital requirements, which may require us to incur additional debt.

**Forward-Looking Statements**

This pricing supplement and the accompanying prospectus supplement and prospectus, including the information incorporated by reference, contain statements that are forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. You can identify forward-looking statements by the use of the words "believe," "expect," "anticipate," "intend," "estimate," "assume," "plan," "project," "may," "shall," "will," "outlook" and other similar expressions that predict or indicate future events and trends and which do not relate to historical matters. We cannot assure the future results or outcome of the matters described in these statements; rather, these statements merely reflect our current expectations of the approximate outcomes of the matters discussed. You should not rely on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, some of which are beyond our control. These risks, uncertainties and other factors, which are described under the headings "Risk Factors" and "Forward-Looking Statements" in the accompanying prospectus supplement and prospectus and in the documents incorporated by reference, may cause our actual results, performance or achievements to differ materially from the anticipated future results, performance or achievements expressed or implied by these forward-looking statements.

In addition, these forward-looking statements represent our estimates and assumptions only as of the date of this pricing supplement. We do not undertake to update these forward-looking statements, and therefore they may not represent our estimates and assumptions after the date of this pricing supplement.

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**Use of Proceeds**

We intend to use the net proceeds, after estimated issuance costs, of approximately \$246,125,000 from the sale of the 2.85% Notes due 2023 (the "Notes") for general corporate purposes, which may include the repayment of a portion of the debt that we expect to assume in connection with the Archstone Portfolio Acquisition or the repayment of a portion of our current outstanding secured indebtedness. Pending such use we will invest the net proceeds from this offering of the Notes in readily marketable interest bearing securities consistent with our intention to qualify as a REIT; accordingly, we may hold more cash and cash equivalents than has historically been the case until such time as these funds are used for such purposes. We cannot assure you that we will consummate the Archstone Portfolio Acquisition. This offering is not contingent on the closing of the Archstone Portfolio Acquisition.

**Capitalization**

The following table sets forth our cash and cash equivalents and capitalization as of September 30, 2012:

on an actual basis;

on an as adjusted basis giving effect to:

1. the sale of 16,675,000 shares of our common stock in the Equity Offering at \$130 per share, or \$2.1 billion after deducting the underwriting discounts and commissions and our estimated offering expenses; and
2. the sale of the Notes, after deducting the underwriting discounts and our estimated offering expenses; and

on a pro forma basis giving effect to:

1. the sale of 16,675,000 shares of our common stock in the Equity Offering at \$130 per share, or \$2.1 billion after deducting the underwriting discounts and commissions and our estimated offering expenses;
2. the sale of the Notes, after deducting the underwriting discounts and our estimated offering expenses;
3. the issuance by us of 14,889,706 shares of our common stock to Archstone, valued at \$1.9 billion, using a per share price of \$128.54, which was the closing price for our common stock on the New York Stock Exchange on November 23, 2012, the last business day prior to approval of the Purchase Agreement;
4. the assumption of approximately \$3.7 billion principal amount of consolidated indebtedness in connection with the Archstone Portfolio Acquisition;
5. the application of the net proceeds from the Equity Offering to fund the Archstone Portfolio Acquisition, the fees, costs and expenses related thereto, to repay a portion of the debt that we assume in connection with the Archstone Portfolio Acquisition; and
6. the application of the net proceeds from this offering of the Notes as a reduction of secured indebtedness.

In the table below, we have assumed that we will fund our portion of the cash consideration for the Archstone Portfolio Acquisition using net proceeds from the Equity Offering and that we will use a portion of the net proceeds from the Equity Offering and the net proceeds from this

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offering of the Notes to refinance secured indebtedness. We actively monitor the capital markets, and may seek additional opportunities to further optimize our capital structure. Our actual sources of financing may

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differ depending on a variety of factors, including market conditions. Accordingly, the actual amounts may differ materially from those shown below in the "As adjusted" and "Pro forma" columns.

	<b>As of September 30, 2012</b>		
	<b>Actual</b>	<b>As adjusted</b>	<b>Pro forma</b>
	<b>(unaudited, amounts in thousands)</b>		
Cash and cash equivalents	\$ 664,133	\$ 3,014,476	\$ 664,133
<b>Debt:</b>			
Notes offered hereby	\$	\$ 250,000	\$ 250,000
Other unsecured notes, net	1,899,208	1,899,208	1,899,208
Variable rate unsecured credit facility			
Secured indebtedness	1,908,872	1,908,872	4,312,870
<b>Total consolidated debt</b>	<b>3,808,080</b>	<b>4,058,080</b>	<b>6,462,078</b>
Redeemable noncontrolling interests	7,203	7,203	7,203
<b>Total stockholders' equity</b>	<b>4,717,316</b>	<b>6,819,534</b>	<b>8,595,030</b>
Noncontrolling interests	3,559	3,559	3,559
<b>Total equity</b>	<b>4,720,875</b>	<b>6,823,093</b>	<b>8,598,589</b>
<b>Total capitalization</b>	<b>\$ 8,536,158</b>	<b>\$ 10,888,376</b>	<b>\$ 15,067,870</b>

You should read the above table in conjunction with the Unaudited Pro Forma Condensed Consolidated Financial Statements and the consolidated financial statements and related notes of the Archstone Portfolio included in our Current Report on Form 8-K filed with the SEC on November 26, 2012, the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report on Form 10-K for the year ended December 31, 2011, as amended, and in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2012 and our consolidated financial statements, related notes and other financial information that we have incorporated by reference into this pricing supplement, the accompanying prospectus supplement and prospectus.

Table of Contents**Plan of Distribution**

Each of the Agents has severally agreed to purchase from AvalonBay, and AvalonBay has agreed to sell to the Agents, the principal amount of Notes set forth opposite the Agent's name below:

<b>Agent</b>	<b>Principal Amount</b>
Goldman, Sachs & Co.	\$ 100,000,000
Barclays Capital Inc.	22,500,000
Deutsche Bank Securities Inc.	22,500,000
J.P. Morgan Securities LLC	22,500,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	22,500,000
UBS Securities LLC	22,500,000
Wells Fargo Securities, LLC	22,500,000
BNY Mellon Capital Markets, LLC	5,000,000
PNC Capital Markets LLC	5,000,000
SunTrust Robinson Humphrey, Inc.	5,000,000
	\$ 250,000,000

Each of the Agents will receive a discount commission for the Notes to be sold by them as set forth above. The Agents propose to offer the Notes initially at the public offering price set forth above and to certain dealers at that price less a concession not in excess of 0.40% of the principal amount of the Notes. The Agents may allow, and the dealers may realow, a discount not in excess of 0.25% of the principal amount of the Notes on sales to certain other dealers. After this offering of the Notes, the Agents may vary the public offering price and other selling terms from time to time.

It is expected that delivery of the Notes will be made against payment therefor on or about December 14, 2012, the seventh business day following the date hereof. Trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this pricing supplement or on the following three business days will be required, by virtue of the fact that the Notes will settle in T+7, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement.

As described in the accompanying prospectus supplement, in the ordinary course of business, the Agents and/or their affiliates have engaged, or may in the future engage, in commercial banking or investment banking transactions with us and our affiliates for which they have received, and will in the future receive, customary compensation. Goldman Sachs Lending Partners LLC, an affiliate of Goldman Sachs & Co., one of the Agents, is making available to us a senior unsecured bridge facility in an amount up to \$2.2 billion for use in connection with the Archstone Portfolio Acquisition. Some or all of the Agents may participate in the bridge facility. Certain of Goldman Sachs & Co.'s various asset management affiliates hold approximately \$273.0 million of our common stock. In addition, the Agents and their affiliates have provided, and may in the future provide, construction loans, letter of credit facilities and other credit-related arrangements to the Company. The Agents acted as underwriters in connection with the Equity Offering.

Wells Fargo Bank, National Association, an affiliate of Wells Fargo Securities, LLC, Barclays Bank PLC, an affiliate of Barclays Capital Inc., Bank of America, N.A., an affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Deutsche Bank Trust Company Americas, an affiliate of Deutsche Bank Securities Inc., UBS Loan Finance LLC, an affiliate of UBS Securities LLC, JPMorgan Chase Bank, N.A., an affiliate of J.P. Morgan Securities LLC, The Bank of New York Mellon, an affiliate of BNY Mellon Capital Markets, LLC, PNC Bank, National Association, an affiliate of PNC Capital Markets LLC, and SunTrust Bank, an affiliate of SunTrust Robinson Humphrey, Inc., each hold a commitment under our \$750,000,000 unsecured revolving credit facility. Additionally, Bank of

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America, N.A. acts as Administrative Agent, Swing Lender, Issuing Bank and a Bank, JPMorgan Chase Bank, N.A. acts as Syndication Agent and a Bank, Wells Fargo Bank, N.A. and Deutsche Bank Trust Company Americas act as a Bank and a Documentation Agent, Barclays Bank PLC acts as a Bank and a Co-Documentation Agent, UBS Securities LLC acts as a Co-Documentation Agent, The Bank of New York Mellon, PNC Bank, National Association, and SunTrust Bank act as a Bank and a Managing Agent, and J.P. Morgan Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated act as Joint Bookrunners and Joint Lead Arrangers under this credit facility.

Wells Fargo Securities, LLC, Barclays Capital Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, and Deutsche Bank Securities Inc. are sales agents under our sales agency financing agreements, pursuant to which we can issue and sell up to \$750,000,000 of our common stock from time to time through them. As of September 30, 2012, our net proceeds from the issuance of our common stock under these sales agency financing agreements was \$102.2 million.

The Agents and their affiliates have provided, or may in the future provide, various investment banking, commercial banking, financial advisory, brokerage and other services to us and our affiliates for which services they have received, and may in the future receive, customary fees. The Trustee is an affiliate of one of the Agents, BNY Mellon Capital Markets, LLC. In the ordinary course of their various business activities, the Agents and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and such investment and securities activities may involve securities and/or instruments of us. Certain of the Agents and/or their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such Agents and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Agents and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

For additional information concerning the offering and sale of the Notes, see "Supplemental Plan of Distribution" in the accompanying prospectus supplement and "Plan of Distribution" in the accompanying prospectus.

**United States Federal Income Tax Considerations**

The following is a summary of the material United States federal income tax considerations of the purchase, ownership and disposition of the Notes, and it may not contain all the information that may be important to you. It deals only with Notes held as capital assets (within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended, or the Code) and does not purport to deal with persons subject to special tax treatment under the Code, such as financial institutions, insurance companies, tax-exempt organizations, regulated investment companies, real estate investment trusts, dealers in securities or currencies, persons that mark their securities to market for United States federal income tax purposes, pass-through entities or investors in such entities, persons holding Notes as part of a hedge, conversion, straddle, or constructive sale transaction for United States federal income tax purposes, persons subject to the alternative minimum tax, or persons whose "functional currency," as defined in Section 985 of the Code, is not the United States dollar. It also does not deal with holders other than those who purchase the Notes on original issuance at the initial offering price (the first price at which a substantial portion of the Notes is sold to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers), except where otherwise specifically noted, and does not address state, local, non-U.S. or United States tax considerations other than income taxation. Persons considering the purchase of the



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Notes should consult their own tax advisors concerning the application of United States federal income tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of the Notes arising under the laws of any other taxing jurisdiction. This discussion does not address the federal income tax considerations associated with any debt instrument we may offer other than the Notes covered by this pricing supplement.

As used in this pricing supplement, the term "U.S. Holder" means a beneficial owner of a Note that is for United States federal income tax purposes:

- (1) a citizen or resident, as defined in Code Section 7701(b), of the United States;
- (2) a corporation or other entity treated as a corporation for United States federal income tax purposes, created or organized under the laws of the United States, any state thereof or the District of Columbia;
- (3) an estate the income of which is subject to United States federal income tax regardless of its source; or
- (4) a trust (i) if a court within the United States is able to exercise primary supervision over the trust's administration and one or more United States persons have the authority to control all substantive decisions of the trust or (ii) that has a valid election in effect under the applicable Treasury Regulations to be treated as a United States person under the Code.

As used in this pricing supplement, the term "non-U.S. Holder" means a beneficial owner of a Note that is a foreign corporation or a nonresident alien individual for United States federal income tax purposes. Special rules may apply to certain non-U.S. Holders such as "controlled foreign corporations," "passive foreign investment companies," persons eligible for benefits under income tax treaties to which the United States is a party, and certain U.S. expatriates.

If a partnership (including any entity treated as a partnership for United States federal income tax purposes) holds the Notes, the United States federal income tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. If you are a partner in a partnership acquiring Notes, you should consult your tax advisors.

The information in this summary is based upon the current Code, applicable Treasury Regulations, the legislative history of the Code, the current administrative interpretations and practices of the Internal Revenue Service, including practices endorsed in private letter rulings, which are not binding on the Internal Revenue Service except in the case of the taxpayer to whom a private letter ruling is addressed, and existing court decisions. Those authorities may be changed, possibly retroactively, or may be subject to differing interpretations, so as to result in United States federal income tax consequences different from those summarized below. Thus, it is possible that the Internal Revenue Service could challenge the statements in this discussion, which do not bind the Internal Revenue Service or the courts, and that a court could agree with the Internal Revenue Service.

***You are urged both to review the following discussion and to consult with your own tax advisor to determine the effect of purchase, ownership and disposition of the Notes on your individual tax situation, including any state, local or non-U.S. tax consequences.***

### **U.S. Holders**

***Payments of interest.*** Stated interest on a Note will be includable in income of a U.S. Holder as ordinary interest income at the time such interest is received or accrued, in accordance with the U.S. Holder's regular method of tax accounting.

***Original issue discount.*** If the issue price of a debt security is less than its stated redemption price at maturity, then the debt security will be treated as being issued with original issue discount ("OID") for U.S. federal income tax purposes unless the difference between the debt security's issue price and its stated redemption price at maturity is less than or equal to a statutory *de minimis* amount. If the difference between the issue price and the stated redemption price at maturity of a debt security is

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more than the statutory *de minimis* amount, the debt security will be treated as having been issued with OID. The amount of OID on a debt security, which is equal to the difference, must be included in income as ordinary interest as it accrues under a constant yield method in advance of receipt of the cash payments attributable to such income, regardless of such U.S. Holder's regular method of tax accounting. Generally, the "issue price" of a debt security is the first price at which a substantial amount of the debt securities is sold to purchasers other than bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. The "stated redemption price at maturity" of a debt security is the total of all payments to be made under the debt security, other than "qualified stated interest," and, generally, is expected to equal the principal amount of the debt security. "Qualified stated interest" generally is stated interest that is unconditionally payable in cash or property at least annually at a single fixed rate or at certain floating rates that properly take into account the length of the interval between stated interest payments. The amount of OID on the debt security will be *de minimis* if it is less than 0.0025 multiplied by the product of the stated redemption price at maturity and the number of complete years to maturity.

The amount of OID for the Notes will be *de minimis* under the above rules, and thus the Notes will not be treated as having OID for U.S. federal income tax purposes.

U.S. Holders may, upon election, include in income all interest, including stated interest, *de minimis* original issue discount, market discount, and *de minimis* market discount, as adjusted by any amortizable bond premium or acquisition premium, that accrues on a Note by using the constant yield method applicable to original issue discount, subject to limitations and exceptions.

**Disposition of a Note.** Except as discussed above, upon the sale, exchange, redemption, repurchase, or other taxable disposition of a Note, a U.S. Holder generally will recognize gain or loss equal to the difference between the amount realized (less an amount equal to any accrued but unpaid interest, which will be taxable as such) on the sale, exchange, redemption, repurchase, retirement or other taxable disposition and the U.S. Holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note generally will equal the amount the U.S. Holder paid for the Note, decreased by the amount of any payments received, other than stated interest payments. Such gain or loss on the sale, exchange, redemption, repurchase, or other taxable disposition of a Note generally will be long-term capital gain or loss if the Note were held for more than one year. Non-corporate taxpayers are generally subject to reduced rates of United States federal income taxation on net long-term capital gains. The deductibility of capital losses is generally subject to limitations.

**Non-U.S. Holders**

The rules governing the United States federal income taxation of a non-U.S. Holder are complex and no attempt will be made herein to provide more than a summary of such rules. Non-U.S. Holders should consult their tax advisors to determine the effect of United States federal, state, local and foreign tax laws, as well as tax treaties, with regard to an investment in the Notes.

Payments of principal and interest on a Note beneficially owned by a non-U.S. Holder generally will not be subject to United States federal withholding tax; provided, in the case of interest, each of the following conditions is met:

- (1) the non-U.S. Holder does not actually or constructively own 10% or more of the total combined voting power of all classes of our stock entitled to vote;
- (2) the non-U.S. Holder is not a controlled foreign corporation that is related, directly or indirectly, to us; and
- (3) the non-U.S. Holder is not a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business, as described in Section 881(c)(3)(A) of the Code.

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In order for a Non-U.S. Holder to qualify for the above exemption from taxation on interest (including OID), the "withholding agent" (generally, the last U.S. payor or a non-U.S. payor who is a qualified intermediary or withholding foreign partnership) must have received a statement (generally made on IRS Form W-8BEN) from the Non-U.S. Holder that: (i) is signed under penalties of perjury by the beneficial owner of the debt security, (ii) certifies that such owner is not a "United States person" within the meaning of the Code and (iii) provides the beneficial owner's name and address. Certain securities clearing organizations and other entities that are not beneficial owners may provide a signed statement accompanied by a copy of the beneficial owner's IRS Form W-8BEN to the withholding agent. An IRS Form W-8BEN is generally effective for the remainder of the year of signature plus three full calendar years unless a change in circumstances renders any information on the form incorrect. The beneficial owner must inform the withholding agent within 30 days of such change and furnish a new IRS Form W-8BEN.

A non-U.S. Holder will not be subject to United States federal income and withholding taxes on any gain realized on the sale, exchange or other disposition of a Note unless the gain is effectively connected with a trade or business conducted by such non-U.S. Holder in the United States or, in the case of an individual, such non-U.S. Holder is present in the United States for 183 days or more in the taxable year in which the sale, exchange or other disposition occurs and certain other conditions are met.

If a non-U.S. Holder engages in a trade or business in the United States, and if interest on the note (or gain realized on its sale, exchange or other disposition) is effectively connected with the conduct by such non-U.S. Holder of such trade or business (and where an applicable income tax treaty so provides, is attributable to a U.S. permanent establishment), the non-U.S. Holder, although exempt from the withholding tax discussed in the preceding paragraphs, will generally be subject to regular United States income tax on that interest (or gain) on a net basis in the same manner as if such non-U.S. Holder were a U.S. Holder. In addition, if a non-U.S. Holder is classified as a corporation for United States federal income tax purposes, such non-U.S. Holder may also be subject to a branch profits tax at a 30% rate (unless reduced or eliminated by an applicable income tax treaty) on the non-U.S. Holder's effectively connected earnings and profits for the taxable year, subject to certain adjustments. For purposes of the branch profits tax, interest on, and any gain recognized on the sale, exchange or other disposition of, a Note will be included in the non-U.S. Holder's effectively connected earnings and profits if such interest or gain, as the case may be, is effectively connected with the conduct by the non-U.S. Holder of a trade or business in the United States.

The Foreign Account Tax Compliance Act ("FATCA") provisions of the Code, enacted in 2010, impose withholding taxes on certain types of "withholdable payments" to (i) foreign financial institutions that do not agree to comply with certain diligence, reporting and withholding obligations with respect to their U.S. accounts and (ii) non-financial foreign entities that do not identify (or confirm the absence of) substantial U.S. owners. Withholding under this legislation on withholdable payments to foreign financial institutions and non-financial foreign entities is generally expected to phase in after December 31, 2013.

A withholdable payment generally includes any payment of interest from sources within the U.S. and gross proceeds from the sale or disposition of a debt instrument that would produce interest from sources within the U.S. However, under the proposed regulations, FATCA would not apply to interest payments from, and/or gross proceeds from a sale of, an obligation outstanding on January 1, 2013. An obligation that constitutes indebtedness for U.S. tax purposes is outstanding on January 1, 2013, if it has an issue date before January 1, 2013. Any material modification of an outstanding obligation would result in the obligation being treated as newly issued or executed as of the effective date of such modification. No assurance can be given as to whether the proposed regulations will be finalized in their current form. Prospective investors should consult their tax advisors regarding all aspects of this legislation.

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**Medicare Tax on Unearned Income**

For taxable years beginning after December 31, 2012, a U.S. stockholder that is an individual is subject to a 3.8% tax on the lesser of (1) his or her "net investment income" for the relevant taxable year or (2) the excess of his or her modified adjusted gross income for the taxable year over a certain threshold (between \$125,000 and \$250,000 depending on the individual's U.S. federal income tax filing status). A similar regime applies to certain estates and trusts. Net investment income generally would include gross interest income and net gains from the disposition of Notes, unless such interest or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). Prospective investors that are U.S. persons that are individuals, estates or trusts are urged to consult their tax advisors regarding the applicability of this tax to their income and gains in respect of their investment in the Notes.

**Information Reporting and Backup Withholding**

In general, information reporting requirements will apply to payments on a Note (including payments of interest and of the proceeds of the sale, exchange, redemption, repurchase or other disposition of a Note) to a U.S. Holder, unless an exception applies. Further, under the backup withholding rules as applicable through December 31, 2012, the payee will be subject to backup withholding tax at the rate of 28% if:

the payee fails to furnish its taxpayer identification number, or TIN, to the payor or to establish an exemption from backup withholding;

the Internal Revenue Service notifies the payor that the TIN furnished by the payee is incorrect;

in the case of interest, there has been a notified payee under-reporting with respect to interest, dividends, or original issue discount described in Section 3406(c) of the Code; or

in the case of interest, there has been a failure of the payee to certify under the penalty of perjury that the payee is not subject to backup withholding under the Code.

Some U.S. Holders, including corporations, are exempt from backup withholding.

Information reporting requirements and backup withholding generally will not apply to payments on a Note to a non-U.S. Holder if an applicable IRS Form W-8 (such as IRS Form W-8BEN described above) is duly provided by such holder, provided that the withholding agent does not have actual knowledge or reason to know that the holder is a United States person. Information reporting requirements and backup withholding generally will not apply to any payment of the proceeds of the sale of a Note effected outside the United States by a foreign office of a "broker" (as defined in applicable Treasury Regulations). However, if such broker is a United States person, is a controlled foreign corporation within the meaning of the Code, is a U.S. branch of a foreign bank or a foreign insurance company, or derives 50% or more of its gross income for certain periods from the conduct of a trade or business in the United States, the information reporting requirements generally will apply unless such broker has documentary evidence in its records that the beneficial owner is not a United States person and certain other conditions are met, or the beneficial owner otherwise establishes an exemption. Payment of the proceeds of any such sale to or through the United States office of a broker is subject to information reporting and, possibly, backup withholding requirements unless the beneficial owner of the Note provides an applicable IRS Form W-8 and certain other conditions are met, or the beneficial owner otherwise establishes an exemption. Any amount withheld from a payment to a holder of a Note under the backup withholding rules is allowable as a credit against such holder's United States federal income tax liability (which might entitle such holder to a refund), provided that such holder furnishes the required information to the Internal Revenue Service on a timely basis. For taxable years beginning after December 31, 2012, the backup withholding rates are scheduled to increase to as high as 31%.

Table of Contents**Reconciliation of Non-GAAP Financial Measures*****Net Operating Income ("NOI")***

NOI is considered by us to be an important and appropriate supplemental performance measure to net income because it helps both investors and management to understand the core operations of an apartment community or communities prior to the allocation of any corporate-level or financing-related costs. NOI reflects the operating performance of a community and allows for an easy comparison of the operating performance of individual assets or groups of assets. In addition, because prospective buyers of real estate have different financing and overhead structures, with varying marginal impacts to overhead by acquiring real estate, NOI is considered by many in the real estate industry to be a useful measure for determining the value of a real estate asset or group of assets. We define NOI as total property revenue less direct property operating expenses, including property taxes, and excluding corporate-level income (including management, development and other fees), corporate-level property management and other indirect operating expenses, investments and investment management expenses, expensed development and other pursuit costs, net interest expense, gain (loss) on extinguishment of debt, general and administrative expense, joint venture income (loss), depreciation expense, impairment loss on land holdings, gain on sale of real estate assets and income from discontinued operations.

NOI does not represent cash generated from operating activities in accordance with GAAP. Therefore, NOI should not be considered an alternative to net income as an indication of our performance. NOI should also not be considered an alternative to net cash flow from operating activities, as determined by GAAP, as a measure of liquidity, nor is NOI indicative of cash available to fund cash needs. Reconciliations of pro forma NOI for the nine months ended September 30, 2012 and the year ended December 31, 2011 to pro forma net income for each period are as follows (all unaudited, dollars in thousands):

	For the nine months ended September 30, 2012			For the year ended December 31, 2011		
	Archstone		Company Pro Forma	Archstone		Company Pro Forma
	Company Historical	Acquisition/ Pro Forma		Company Historical	Acquisition/ Pro Forma	
Income from continuing operations	\$ 203,259	\$ 43,425	\$ 246,684	\$ 165,938	\$ (187,780)	\$ (21,842)
Discontinued operations	97,919		97,919	275,432		275,432
Net income	301,178	43,425	344,603	441,370	(187,780)	253,590
Indirect operating expenses, net of corporate income	24,049		24,049	30,550		30,550
Investment and investment management expense	4,526		4,526	5,126		5,126
Expensed development and other pursuit costs	1,749		1,749	2,967		2,967
Interest expense, net	100,804	57,139	157,943	168,179	73,260	241,439
Loss on extinguishment of debt, net	1,179		1,179	1,940		1,940
General and administrative expense	26,398	1,605	28,003	29,371	2,140	31,511
Equity in income of unconsolidated entities	(9,801)	7,273	(2,528)	(5,120)	7,064	1,944
Depreciation expense	193,434	106,206	299,640	246,666	374,940	621,606
Impairment loss land holdings				14,052		14,052
Gain on sale of real estate assets	(95,329)		(95,329)	(294,806)		(294,806)
Income from discontinued operations	(2,870)		(2,870)	5,658		5,658
Gain on acquisition of unconsolidated entity	(14,194)		(14,194)			
Net operating income	\$ 531,123	\$ 215,648	\$ 746,771	\$ 645,953	\$ 269,624	\$ 915,577

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**Prospectus Supplement**  
(To Prospectus dated February 27, 2012)

**\$500,000,000**

**Medium-Term Notes**  
**Due nine months or more from date of issue**

**AvalonBay Communities, Inc.**

The Company: AvalonBay Communities, Inc. Our executive offices are located at Ballston Tower, 671 N. Glebe Road, Suite 800, Arlington, Virginia 22203 and our telephone number is (703) 329-6300.

Terms: We plan to offer and sell medium-term notes from time to time, in various amounts. The medium-term notes will have various terms, including the following:

Ranking as senior unsecured indebtedness of AvalonBay

Stated maturities of nine months or more from date of issue

Redemption and/or repayment provisions, if applicable, whether mandatory or at the option of AvalonBay or noteholders

Payments in U.S. dollars or one or more foreign currencies

Minimum denominations of \$1,000 or other specified denominations for foreign currencies

Book-entry, through The Depository Trust Company, or certificated form

Interest at fixed or floating rates, or no interest at all. The floating interest rate may be based on one or more indices plus or minus a spread and/or multiplied by a spread multiplier.

Interest payments on fixed rate notes as specified in a pricing supplement and on the maturity date

Interest payments on floating rate notes on a monthly, quarterly, semiannual or annual basis

We will specify the final terms for each medium-term note, which may be different from the terms described in this prospectus supplement, in the applicable pricing supplement.

**Investing in the notes involves risks. See "Risk Factors" beginning on Page S-1.**

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Neither the SEC nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement, the accompanying prospectus or any pricing supplement is truthful or complete. Any representation to the contrary is a criminal offense.

	<b>Price to public</b>	<b>Agents' discounts and commissions</b>		<b>Proceeds to AvalonBay</b>	
Per Note	100%	0.125%	0.750%	99.875%	99.250%
Total	\$ 500,000,000	\$625,000	\$3,750,000	\$499,375,000	\$496,250,000

We are offering the medium-term notes on a continuous basis to or through the agents listed below acting as agents or principals using their reasonable efforts on our behalf. AvalonBay reserves the right to cancel or modify this offer without notice. AvalonBay or an agent, if the agent solicits the offer on an agency basis, may reject any offer to purchase notes in whole or in part. See "Supplemental Plan of Distribution."

**Goldman, Sachs & Co.**

**J.P. Morgan**

**UBS Investment Bank**

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**The date of this prospectus supplement is September 6, 2012**

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You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and any pricing supplement. Neither we nor any agent has authorized any other person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. Neither we nor any agent is making an offer to sell these medium-term notes in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and any pricing supplement is accurate only as of the date on the front cover of the applicable document.

References in this prospectus supplement to "AvalonBay," "the Company," "our company," "we," "us," or "our" or similar expressions in this prospectus supplement refer collectively to AvalonBay Communities, Inc., a Maryland corporation, and its subsidiaries, and their respective predecessor entities for the applicable periods, considered as a single enterprise.

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**Risk Factors**

*Before you invest in the medium-term notes, you should carefully consider the risks described below as well as other information contained in this prospectus supplement, the accompanying prospectus and any pricing supplement and the documents incorporated or deemed incorporated by reference herein or therein.*

**Notes indexed to interest rates, currencies or other indices or formulas have inherent risks not associated with a conventional debt security.**

If you invest in notes indexed to one or more interest rates, currencies or composite currencies or other indices or formulas, you will be subject to significant risks not associated with a conventional fixed rate or floating rate debt security. These risks include fluctuation of the indices or formulas and the possibility that you will receive a lower, or no, amount of principal, premium or interest and at different times than you expected. We have no control over a number of matters, including economic, financial and political events, that are important in determining the existence, magnitude and longevity of these risks and their results. In addition, if an index or formula used to determine any amounts payable in respect of the notes contains a multiplier or leverage factor, the effect of any change in the particular index or formula will be magnified. In recent years, values of these indices and formulas have been volatile and volatility in those and other indices and formulas may be expected in the future.

**There may not be any trading market for your notes.**

We cannot assure you that a trading market for your notes will be maintained or ever develop. Many factors independent of our creditworthiness may affect the trading market of your notes and the value of the applicable index or indices, or formula or formulas. These factors include:

the complexity and volatility of the index or formula applicable to the notes;

the possibility that each index or formula may be subject to significant changes;

the method of calculating the principal, premium and interest in respect of the notes;

the time remaining to the maturity of the notes;

the outstanding amount of the notes;

the redemption features of the notes;

the amount of other securities linked to the index or formula applicable to the notes; and

the level, direction and volatility of market interest rates generally.

Finally, because some notes may be designed for specific investment objectives or strategies, those notes will have a more limited trading market and may experience more price volatility than other forms of debt securities. The notes will not have an established trading market when issued, and there can be no assurance of a secondary market for the notes or the liquidity of this market if one develops. This may affect the price you receive for these notes, your anticipated yield, or your ability to sell the notes at all. You should not purchase any of these notes unless you understand and know that you can bear the related investment risks.

**Redemption may adversely affect your return on the notes.**

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If the notes are redeemable at our option, we may choose to redeem the notes at times when prevailing interest rates are relatively low. In addition, if the notes are subject to mandatory redemption, we may also be required to redeem the notes at times when prevailing interest rates are relatively low. As a result, you may be required to reinvest redemption proceeds at a time that is not chosen by you and generally will not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the notes being redeemed.

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**Repayment procedures may limit your ability to obtain repayment of the notes.**

Your notes may be repayable at your option if specified in the pricing supplement relating to the notes. If your notes are repayable at your option under specific circumstances, you will be required to follow specified procedures. Among these procedures is a requirement that the holder must provide the Trustee with the required documentation at least 30 days and no more than 60 days prior to the repayment date. If the note is a global note, there may be additional notice deadlines imposed by DTC or any broker or other intermediary through which the notes are held. Accordingly, these repayment procedures may limit your ability to obtain repayment of the notes on an expedited basis, and your failure to comply with the repayment procedures may adversely affect your ability to obtain repayment of your notes.

**The credit ratings assigned to our notes may not reflect all risks of an investment in the notes.**

The credit ratings assigned to our medium-term notes reflect the rating agencies' assessments of our ability to make payments on the notes when due. Recently, rating agencies have been criticized for not adequately reflecting risk associated with certain securities in their ratings. Consequently, real or anticipated changes in these credit ratings will generally affect the market value of your notes. These credit ratings, however, may not reflect the potential impact of risks related to structure, market or other factors related to the value of your notes or the possibility that payments on indexed notes may be less than anticipated because of changes in the specified index.

**Fluctuations in exchange rates and modification of exchange controls may impair your investment in the notes.**

An investment in foreign currency notes entails significant risks that are not associated with a similar investment in a debt security denominated and payable in United States dollars. These risks include:

the possibility of significant changes in the exchange rate between the United States dollar and the applicable foreign currency or composite currency; and

the possibility of the imposition or modification of exchange controls by the applicable governments or monetary authorities.

These risks generally depend on factors over which we have no control, such as economic, financial and political events and the supply and demand for the applicable currencies or composite currencies. In addition, if payments on your foreign currency notes are determined by reference to a formula containing a multiplier or leverage factor, the effect of any change in the applicable currencies or composite currencies will be magnified.

In recent years, exchange rates between the United States dollar and foreign currencies or composite currencies have been volatile and this volatility may continue or increase in the future. Fluctuations between currencies that have occurred in the past are not necessarily indicative, however, of fluctuations that may occur in the future. Depreciation of the foreign currency or composite currency in which a foreign currency note is payable against the United States dollar would result in a decrease:

in the United States dollar-equivalent yield of the foreign currency note;

in the United States dollar-equivalent value of the principal and premium, if any, payable on the maturity date of the foreign currency note; and

in the United States dollar-equivalent market value of the foreign currency note.

In addition, government and monetary authorities may impose or revise exchange controls. These controls could affect exchange rates and the availability of the foreign currency or composite currency in which payments on the notes may be made. Even if there are no exchange controls, it is possible that the foreign currency or composite currency in which a payment due on a foreign currency note is

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to be made will not be available on the required payment date due to other circumstances beyond our control. In these cases, we may satisfy our obligations in respect of the foreign currency note in United States dollars. See "Special Provisions Relating to Foreign Currency Notes Availability of Specified Currency."

**About This Prospectus Supplement; Pricing Supplements**

We may use this prospectus supplement, together with the attached prospectus and an attached pricing supplement, to offer the notes from time to time. The total initial public offering price of the notes that we may offer by use of this prospectus supplement is \$500,000,000 (or the equivalent in one or more foreign currencies).

This prospectus supplement sets forth some of the terms of the notes that we may offer. It supplements the description of our debt securities that is contained in the attached prospectus. If information in this prospectus supplement is inconsistent with the prospectus, this prospectus supplement will apply and will supersede the information in the prospectus.

Each time we issue notes under this prospectus supplement, we will attach a pricing supplement to this prospectus supplement. The pricing supplement will contain the specific description of the notes being offered and the terms of the offering. The pricing supplement may also add, update or change information in this prospectus supplement or the attached prospectus. Any information in the pricing supplement, including any changes in the method of calculating interest on any note, that is inconsistent with this prospectus supplement will apply and will supersede the information in this prospectus supplement.

It is important for you to read and carefully consider all information contained in this prospectus supplement and the attached prospectus and pricing supplement in making your investment decision. You should also read and carefully consider the information in the documents we have referred you to in "Where You Can Find More Information" in the attached prospectus.

**Description of the Notes**

We will issue the notes as a series of debt securities, which refers to all debt securities including the notes, issued and issuable under the Indenture. When we refer to the Indenture, we are referring collectively to an original Indenture dated as of January 16, 1998, referred to as the Original Indenture, a First Supplemental Indenture, dated as of January 20, 1998, a Second Supplemental Indenture, dated as of July 7, 1998, an Amended and Restated Third Supplemental Indenture, dated as of July 10, 2000, and a Fourth Supplemental Indenture, dated as of September 18, 2006, each between AvalonBay and The Bank of New York Mellon Trust Company, N.A. (as successor trustee), the Trustee. The Indenture is subject to, and governed by, the Trust Indenture Act of 1939. The following summary of the notes and the Indenture is not complete. You should read the actual provisions of the notes and the Indenture, which we have filed as exhibits to the documents we have filed with the Securities and Exchange Commission. Capitalized terms used but not defined in this prospectus supplement will have the meanings given to them in the accompanying prospectus, the notes or the Indenture, as the case may be. The following description of the particular terms of the notes offered, referred to in the accompanying prospectus as the senior securities, supplements, and to the extent inconsistent replaces, the description of the general terms and provisions of the senior debt securities set forth in the prospectus, to which description reference is made.

The following description of the notes applies to each note offered under this prospectus supplement unless otherwise specified in the applicable pricing supplement.

**General**

All of our debt securities, including the notes, will be unsecured obligations of AvalonBay and will rank equally with all of our other unsecured and unsubordinated indebtedness. The notes are

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effectively subordinated to mortgages and other secured indebtedness of AvalonBay, which encumber the assets of AvalonBay, and to indebtedness and other liabilities of subsidiaries of AvalonBay. Accordingly, we must satisfy these mortgages and other secured indebtedness in full before holders of the notes may realize any value from encumbered or indirectly-held properties. In addition, we will repay the notes solely from the assets of AvalonBay and, therefore, holders of the notes will not have recourse against any director, officer or stockholder of AvalonBay for repayment of the notes.

The Indenture does not limit the aggregate amount of debt securities that we may issue. As a result, we may issue debt securities in one or more series up to the aggregate initial offering price authorized by us for each series. We may also, without the consent of the holders of the notes, provide for the issuance of notes or other debt securities under the Indenture in addition to the \$500,000,000 aggregate initial offering price of the notes offered by this prospectus supplement.

The notes are currently limited to up to \$500,000,000 aggregate initial offering price, or the equivalent in one or more foreign or composite currencies. Interest-bearing notes will either be fixed rate notes or floating rate notes, as specified in the applicable pricing supplement. We may also issue notes that do not bear any interest currently or that bear interest at a below market rate.

Each note will mature on any day nine months or more from its date of issue, as specified in the applicable pricing supplement, unless the principal or any installment of principal becomes due and payable prior to the stated maturity date, whether, as applicable, by the declaration of acceleration of maturity, notice of redemption at our option, notice of the registered holder's option to elect repayment or otherwise.

Unless we otherwise specify in the applicable pricing supplement, the notes will be denominated in, and payments of principal, premium, if any, and/or interest, if any, will be made in, United States dollars. The notes also may be denominated in, and payments of principal, premium, if any, and/or interest, if any, may be made in, one or more foreign currencies or composite currencies. See "Special Provisions Relating to Foreign Currency Notes Payment of principal, premium and interest." The currency or composite currency in which a note is denominated, whether in United States dollars or otherwise, is referred to in this prospectus supplement as the Specified Currency.

You will be required to pay for the notes in the applicable Specified Currency. At the present time, there are limited facilities in the United States for the conversion of United States dollars into foreign currencies or composite currencies and vice versa. In general, commercial banks do not offer non-United States dollar checking or savings account facilities in the United States. Each agent may be prepared to arrange for the conversion of United States dollars into the applicable Specified Currency to enable you to pay for the related foreign currency note, provided that you make a request to the agent on or prior to the fifth Business Day, as defined below, preceding the date of delivery of the foreign currency note, or by any other day as determined by the agent. An agent will make each conversion on the terms and subject to the conditions, limitations and charges as the agent may from time to time establish in accordance with its regular foreign exchange practices. You will be required to bear all costs of exchange in respect of your foreign currency note. See "Special Provisions Relating to Foreign Currency Notes Payment of principal, premium and interest."

Interest rates offered by us with respect to the notes may differ depending upon the aggregate principal amount of notes purchased in any single transaction. Interest rates or formulas and other terms of the notes are subject to change by AvalonBay, but no change will affect any note already issued or as to which we have accepted an offer to purchase.

We will issue each note in fully registered form as a book-entry note represented by one or more global securities or a certificated note. The authorized denominations of each note other than a foreign currency note will be \$1,000 and integral multiples of \$1,000, while the authorized denominations of each foreign currency note will be specified in the applicable pricing supplement.

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We will make payments of principal of, and premium, if any, and interest on, book-entry notes through the Trustee to The Depository Trust Company, referred to as DTC. See "Description of the Notes DTC's procedures."

In the case of certificated notes, we will make payments of principal and premium, if any, due on the stated maturity date or any prior date on which the principal, or an installment of principal, of each certificated note becomes due and payable, whether by:

the declaration of acceleration;

notice of redemption at the option of AvalonBay; or

notice of the holder's option to elect repayment or otherwise

in immediately available funds upon their presentation and surrender, or, in the case of any repayment on an optional repayment date, upon their presentation and surrender and a duly completed election form in accordance with the provisions described below, at the office or agency maintained by AvalonBay for this purpose in the Borough of Manhattan, The City of New York, which is currently the corporate trust office of the Trustee located at 101 Barclay Street, New York, New York 10286. We will make payments of interest due on the maturity date of each certificated note to the person to whom payment of the principal and premium, if any, shall be made. We will make payments of interest due, if any, on each certificated note on any interest payment date, other than the maturity date, at the office or agency referred to above maintained by AvalonBay for this purpose or, at the option of AvalonBay, by check mailed to the address of the holder that is entitled as that address appears in the Security Register of AvalonBay.

However, a registered holder of \$10,000,000 (or, if the applicable Specified Currency is other than United States dollars, the equivalent in the Specified Currency) or more in aggregate principal amount of notes, whether having identical or different terms and provisions, will be entitled to receive interest payments on any interest payment date other than the maturity date by wire transfer of immediately available funds if the holder has delivered appropriate wire transfer instructions in writing to the Trustee not less than 15 calendar days prior to that interest payment date. Any wire transfer instructions received by the Trustee will remain in effect until revoked by the registered holder. For special payment terms applicable to foreign currency notes, see "Special Provisions Relating to Foreign Currency Notes Payment of principal, premium and interest."

"Business Day" means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banks are authorized or required by law, regulation or executive order to close in The City of New York; provided, however, that, if the Specified Currency is other than United States dollars, the day must also not be a day on which commercial banks are authorized or required by law, regulation or executive order to close in the Principal Financial Center, as defined below, of the country issuing the Specified Currency, or, if the Specified Currency is Euro, the day must also be a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer, or TARGET, System is open; provided, further, that, with respect to floating rate notes as to which LIBOR is an applicable interest rate basis, the day must also be a London Banking Day, as defined below.

"London Banking Day" means a day on which commercial banks are open for business, including dealings in the LIBOR Currency, as defined below, in London.

"Principal Financial Center" means, (i) the capital city of the country issuing the Specified Currency, except that with respect to United States dollars, Australian dollars, Canadian dollars, South African rand and Swiss francs, the "Principal Financial Center" will be the City of New York, Sydney and Melbourne, Toronto, Johannesburg and Zurich, respectively, or (ii) the capital city of the country to which the LIBOR Currency relates, except that with respect to United States dollars, Australian dollars, Canadian dollars, South African rand and Swiss francs, the "Principal Financial Center" will be the City of New York, Sydney, Toronto, Johannesburg and Zurich, respectively.

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Book-entry notes may be transferred or exchanged only through DTC. See "Description of the Notes Book-entry notes Description of the global notes" and " DTC's procedures." Registration of transfer or exchange of certificated notes will be made at the office or agency maintained by AvalonBay for this purpose in the Borough of Manhattan, The City of New York. No service charge will be imposed for any registration of transfer or exchange of notes, but we may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed other than exchanges in accordance with the Indenture not involving any transfer.

**Reopening of issue**

We may from time to time, without the consent of existing note holders, issue additional notes having the same terms and conditions (including maturity and interest payment terms) as previously issued notes in all respects, except for issue date, issue price and the first payment of interest. Additional notes issued in this manner will be consolidated with and will form a single series with the previously issued notes.

**Redemptions at the option of AvalonBay**

The notes will not be subject to, or entitled to the benefit of, any sinking fund. We may redeem the notes at our option before their stated maturity only if an initial redemption date is specified in the notes and in the pricing supplement. If indicated in the pricing supplement, we may redeem the notes at our option on any date on or after the initial redemption date. On or after the initial redemption date, if any, we may at our option redeem the related note at any time in whole, or from time to time in part, at the redemption price together with unpaid interest on the principal of the note payable to the redemption date. We must give written notice to registered holders of the notes to be redeemed not more than 60 nor less than 30 days before the redemption date. We will redeem the notes in increments of \$1,000, provided that any remaining principal amount will be an authorized denomination of the note. The redemption price with respect to a note will initially be the initial redemption percentage of the principal amount of the note to be redeemed specified in the pricing supplement multiplied by the unpaid principal amount to be redeemed. This initial redemption percentage, if any, shall decline at each anniversary of the initial redemption date by a percentage, specified in the pricing supplement, of the principal amount to be redeemed until the redemption price is 100% of the principal amount. For a discussion of the redemption of original issue discount notes, see " Original issue discount notes."

**Repayment at the option of the holder**

The pricing supplement will indicate if the notes are repayable at the option of their registered holders on a date specified prior to the notes' maturity date and, unless otherwise specified in the pricing supplement, these notes will be repayable at a price equal to 100% of their principal amount, together with unpaid interest accrued to the date of repayment.

In order for a note to be repaid, the Trustee must receive, at least 30 days but not more than 60 days, prior to the repayment date, either:

- (1) in the case of a certificated note, the note with a completed "Option to Elect Repayment" form, which is located on the reverse side of the note; or
- (2) a telegram, telex, facsimile transmission, or a letter from a member of a national securities exchange, the Financial Industry Regulatory Authority, Inc., referred to as FINRA, a commercial bank or a trust company in the United States which sets forth the following:
  - (A) the name of the registered holder of the note,  
  
the principal amount of the note,  
  
the principal amount of the note to be repaid, and

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the certificate number or a description of the terms of the note;

(B)

a statement that the option to elect repayment is being exercised; and

(C)

a guarantee that the note to be repaid, together with the completed "Option to Elect Repayment" form, will be received by the Trustee not later than the fifth Business Day after the date of the telegram, telex, facsimile or letter. This election by the holder of the note will only be effective if the note and completed form are received by the Trustee or its designated agent by this time.

The exercise of the repayment option by the holder of a note will be irrevocable. The holder of a note may exercise the repayment option for less than the entire principal amount of the note. However, the principal amount of the note remaining outstanding after repayment must be in an authorized denomination.

If a note is represented by a global note, DTC's nominee will be the holder of the note and, therefore, will be the only entity that can exercise the right to repayment. In order to ensure that DTC's nominee will timely exercise a right to repayment with respect to a particular note, the beneficial owner of the note must instruct the broker or other direct participant or indirect participant through which it holds an interest in the note to notify DTC of its desire to exercise a right to repayment. Different firms have different deadlines for accepting instructions from their customers. Accordingly, each beneficial owner should consult the broker or other direct participant or indirect participant through which it holds an interest in a note in order to determine the deadline by which an instruction must be given in order for notice to be delivered to DTC on time. Please see, "Description of the Notes DTC procedures."

If applicable, we will comply with the requirements of Rule 14e-1 under the Securities Exchange Act of 1934, referred to as the Exchange Act, and any other securities laws or regulations in connection with any repayment.

We may at any time purchase notes at any price or prices in the open market or otherwise. Notes purchased by us may, at our discretion, be held, resold or surrendered to the Trustee for cancellation.

**Interest**

Each interest-bearing note will bear interest from its date of issue at the rate per annum, in the case of a fixed rate note, or in accordance with the interest rate formula, in the case of a floating rate note, until its principal is paid or made available for payment. We will make interest payments in respect of fixed rate notes and floating rate notes in an amount equal to the interest accrued from and including the immediately preceding interest payment date in respect of which interest has been paid or made available for payment, or from and including the date of issue, if no interest has been paid or made available for payment with respect to the applicable note, to but excluding the applicable interest payment date or the maturity date, each referred to as an Interest Period.

Interest on fixed rate notes and floating rate notes will be payable in arrears on each interest payment date and on the maturity date. The first payment of interest on any note originally issued between a record date, which is the fifteenth calendar day, whether or not a Business Day, immediately preceding the related interest payment date, and the related interest payment date will be made on the interest payment date immediately following the next record date to the holder as of the next record date.

**Fixed rate notes.** Interest on fixed rate notes will be payable in arrears on the interest payment dates specified in the applicable pricing supplement and on the maturity date. Each fixed rate note will bear interest from the date of issue at the rate per annum stated on the face of the note until the principal amount of the note is paid or made available for payment. Interest on fixed rate notes will be computed on the basis of a 360-day year of twelve 30-day months.



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If any interest payment date or the maturity date of a fixed rate note falls on a day that is not a Business Day, we will make the related payment of principal, premium, if any, and/or interest on the next succeeding Business Day as if made on the date the payment was due, and no interest will accrue on the amount payable for the period from and after the interest payment date or the maturity date, as the case may be.

***Floating rate notes.*** Interest on floating rate notes will be determined by reference to the applicable interest rate basis or interest rate bases, which may be one or more of:

the CD Rate,

the CMT Rate,

the Commercial Paper Rate,

the Eleventh District Cost of Funds Rate,

the Federal Funds Rate,

LIBOR,

the Prime Rate,

the Treasury Rate, or

any other interest rate basis or interest rate formula that is specified in the pricing supplement.

Each pricing supplement will specify the terms of the floating rate note being offered, including:

whether the floating rate note is:

- (1) a Regular Floating Rate Note,
- (2) a Floating Rate/Fixed Rate Note, or
- (3) an Inverse Floating Rate Note,

the fixed rate commencement date, if applicable,

the fixed interest rate, if applicable,

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the interest rate basis or bases,

the interest rate in effect from the date of issue until the date on which this interest rate on the related floating rate note will be reset,

the date on which the interest rate on the related floating rate note will be reset,

the interest payment period and dates,

the period to maturity of the instrument or obligation with respect to which the interest rate basis or bases will be calculated, referred to as the Index Maturity,

a maximum numerical limitation, or ceiling, on the rate at which interest may accrue during any interest period, if any,

a minimum numerical limitation, or floor, on the rate at which interest may accrue during any interest period, if any,

the number of basis points to be added to or subtracted from the related interest rate basis or bases, referred to as the Spread,

the percentage of the related interest rate basis or bases by which the interest rate basis or bases will be multiplied to determine the applicable interest rate, referred to as the Spread Multiplier,

if one or more of the specified interest rate bases is LIBOR, the Index Currency and the Designated LIBOR Page, and

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if one or more of the specified interest rate bases is the CMT Rate, the Designated CMT Moneyline Telerate Page and Designated CMT Maturity Index.

The interest rate borne by the floating rate notes will be determined as follows:

**Regular Floating Rate Notes.** Unless a floating rate note is designated as a Floating Rate/Fixed Rate Note, an Inverse Floating Rate Note or as having an addendum attached or as having "Other/Additional Provisions" apply relating to a different interest rate formula, it will be a Regular Floating Rate Note and, except as described below or in a pricing supplement, will bear interest at the rate determined by reference to the applicable interest rate basis or bases:

plus or minus the applicable Spread, if any, and/or

multiplied by the applicable Spread Multiplier, if any.

Commencing on the first interest reset date, the rate at which interest on the Regular Floating Rate Note will be payable will be reset as of each interest reset date. However, the interest rate in effect for the period from the date of issue to the first interest reset date will be the initial interest rate.

**Floating Rate/Fixed Rate Notes.** If a floating rate note is designated as a Floating Rate/Fixed Rate Note, then, except as described below or in a pricing supplement, it will bear interest at the rate determined by reference to the applicable interest rate basis or bases:

plus or minus the applicable Spread, if any, and/or

multiplied by the applicable Spread Multiplier, if any.

Commencing on the first interest reset date, the rate at which interest on the Floating Rate/Fixed Rate Note will be payable will be reset as of each interest reset date; provided, however, that:

the interest rate in effect for the period from the date of issue to the first interest reset date will be the initial interest rate, and

the interest rate in effect commencing on, and including, the date on which interest begins to accrue on a fixed rate basis to maturity will be the fixed interest rate, if the rate is specified in the pricing supplement, or if no fixed interest rate is specified, the interest rate in effect on the Floating Rate/Fixed Rate Note on the day immediately preceding the date on which interest begins to accrue on a fixed rate basis.

**Inverse Floating Rate Notes.** If a floating rate note is designated as an Inverse Floating Rate Note, it will bear interest at the fixed interest rate specified in the related pricing supplement minus the rate determined by reference to the applicable interest rate basis or bases:

plus or minus the applicable Spread, if any, and/or

multiplied by the applicable Spread Multiplier, if any;

provided, however, that the interest rate on the Inverse Floating Rate Note will not be less than zero. Commencing on the first interest reset date, the rate at which interest on the Inverse Floating Rate Note is payable will be reset as of each interest reset date. However, the interest rate in effect for the period from the date of issue to the first interest reset date will be the initial interest rate.

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Each interest rate basis shall be the rate determined in accordance with the provisions below. The interest rate in effect on each day will be:

if the day is an interest reset date, the interest rate determined as of the interest determination date, as defined below, immediately preceding the interest reset date, or

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if the day is not an interest reset date, the interest rate determined as of the interest determination date immediately preceding the most recent interest reset date.

**Interest reset dates.** The pricing supplement will specify whether the interest rate on the related floating rate note will be reset daily, weekly, monthly, quarterly, semi-annually, annually or any other basis (each referred to in this prospectus supplement as an interest reset period), and the dates on which the interest rate on the related floating rate note will be reset (each referred to in this prospectus supplement as an interest reset date). The interest reset date will be, in the case of floating rate notes which reset:

daily each Business Day;

weekly the Wednesday of each week, with the exception of weekly reset floating rate notes where the Treasury Rate is an applicable interest rate basis, which will reset the Tuesday of each week, except as described below;

monthly the third Wednesday of each month, with the exception of monthly reset floating rate notes where the Eleventh District Cost of Funds Rate is an applicable interest rate basis, which will reset on the first calendar day of the month;

quarterly the third Wednesday of March, June, September and December of each year;

semiannually the third Wednesday of the two months specified in the pricing supplement; and

annually the third Wednesday of the month specified in the pricing supplement;

provided, however, that with respect to Floating Rate/Fixed Rate Notes, the rate of interest will not reset after the date on which interest on a fixed rate basis begins to accrue.

If any interest reset date for any floating rate note would otherwise be a day that is not a Business Day, the interest reset date will be postponed to the next succeeding day that is a Business Day, except that in the case of a floating rate note as to which LIBOR is an applicable interest rate basis and if the Business Day falls in the next succeeding calendar month, then the interest reset date will be the immediately preceding Business Day. In addition, in the case of a floating rate note as to which the Treasury Rate is an applicable interest rate basis, if the interest determination date would otherwise fall on an interest reset date, the particular interest reset date will be postponed to the next succeeding Business Day.

**Maximum and minimum interest rates.** A floating rate note may have either or both of the following:

a maximum numerical limitation, or ceiling, on the rate at which interest may accrue during any interest period, referred to as a maximum interest rate, and

a minimum numerical limitation, or floor, on the rate at which interest may accrue during any period, referred to as a minimum interest rate.

The Indenture is, and any notes issued under the Indenture will be, governed by and construed in accordance with the laws of the State of New York. In addition to any maximum interest rate that may apply to any floating rate note, the interest rate will in no event be higher than the maximum rate permitted by New York law, as the same may be modified by United States law of general application.

**Interest payments.** Each pricing supplement will specify the dates on which interest will be payable. Each floating rate note will bear interest from the date of issue at the rates specified in the floating rate note until the principal of the note is paid or otherwise made available for payment. Except as provided below or in the pricing supplement, the interest payment dates with respect to floating rate notes will be, in the case of floating rate notes which reset:



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daily, weekly or monthly the third Wednesday of each month or on the third Wednesday of March, June, September and December of each year, as specified in the pricing supplement;

quarterly the third Wednesday of March, June, September and December of each year;

semiannually the third Wednesday of the two months of each year specified in the pricing supplement;

annually the third Wednesday of the month of each year specified in the pricing supplement; and

at the maturity date.

If any interest payment date for any floating rate note, other than an interest payment date at maturity, would otherwise be a day that is not a Business Day, the interest payment date will be postponed to the next succeeding day that is a Business Day, except that in the case of a floating rate note as to which LIBOR is an applicable interest rate basis and if the Business Day falls in the next succeeding calendar month, the interest payment date will be the immediately preceding Business Day. If the maturity of a floating rate note falls on a day that is not a Business Day, the payment of principal, premium, if any, and interest will be made on the next succeeding Business Day, and no additional interest will accrue in respect of the payment made on that next succeeding Business Day.

All percentages resulting from any calculation on floating rate notes will be rounded to the nearest one hundred-thousandth of a percentage point, with five one-millionths of a percentage point rounded upwards. For example, 9.876545%, or 0.09876545, would be rounded to 9.87655%, or 0.0987655. All dollar amounts used in or resulting from any calculation on floating rate notes will be rounded to the nearest cent, or in the case of a foreign currency or composite currency to the nearest unit, with one-half cent or unit being rounded upwards.

With respect to each floating rate note, accrued interest is calculated by multiplying its principal amount by an accrued interest factor. The accrued interest factor is computed by adding the interest factor calculated for each day in the period for which accrued interest is being calculated.

In the case of floating rate notes for which the interest rate basis is the CD Rate, the Commercial Paper Rate, the Eleventh District Cost of Funds Rate, the Federal Funds Rate, LIBOR or the Prime Rate, the interest factor for each day will be computed by dividing the interest rate applicable to each day by 360.

In the case of floating rate notes for which the interest rate basis is the CMT Rate or the Treasury Rate, the interest factor for each day will be computed by dividing the interest rate applicable to each day by the actual number of days in the year.

In the case of floating rate notes for which the interest rate is calculated with reference to two or more interest rate bases, the interest factor will be calculated in each period in the same manner as if only one of the applicable interest rate bases specified in the pricing supplement applied.

***Interest determination dates.*** The interest rate applicable to each interest reset period commencing on the interest reset date with respect to that interest reset period will be determined by the calculation agent and calculated on or prior to the calculation date, as specified below, except with respect to LIBOR and the Eleventh District Costs of Funds Rate, which will be calculated on the interest determination date.

The interest determination date with respect to the CD Rate, the CMT Rate, the Commercial Paper Rate, the Federal Funds Rate and the Prime Rate will be the Business Day immediately preceding each interest reset date for the related note.

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The interest determination date with respect to the Eleventh District Cost of Funds Rate will be the last Business Day of the month preceding each interest reset date on which the Federal Home Loan Bank of San Francisco publishes the Index, as defined below.

The interest determination date with respect to LIBOR will be the second London Banking Day immediately preceding each interest reset date, unless the Index Currency is British pounds sterling, in which case the interest determination date will be the applicable interest reset date.

The interest determination date with respect to the Treasury Rate will be the day in the week in which the related interest reset date falls on which day Treasury Bills, as defined below, are normally auctioned. Treasury Bills are normally sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is normally held on the following Tuesday, except that the auction may be held on the preceding Friday and if an auction is held on the Friday of the week preceding the related interest reset date, the related interest determination date will be the preceding Friday.

If the interest rate of a note is determined with reference to two or more interest rate bases, then the interest determination date for the note will be the most recent Business Day, which is at least two Business Days prior to the applicable interest reset date on which each interest rate basis is determinable.

The interest determination date pertaining to a floating rate note the interest rate of which is determined with reference to two or more interest rate bases will be the latest Business Day which is at least two Business Days before the interest reset date for the floating rate note on which each interest rate basis is determinable.

Each interest rate basis will be determined accordingly, and the applicable interest rate will commence on the applicable interest reset date.

**Calculation date.** Unless otherwise specified in the applicable pricing supplement, the Trustee will be the calculation agent with respect to any floating rate note. Upon the request of the holder of any floating rate note, the calculation agent will provide the interest rate then in effect and, if determined, the interest rate that will become effective as a result of a determination made for the next interest reset date with respect to that floating rate note, unless otherwise provided in the pricing supplement. The calculation date, if applicable, pertaining to any interest determination date will be the earlier of:

the tenth calendar day after the interest determination date, or, if the tenth calendar day is not a Business Day, the next succeeding Business Day, or

the Business Day immediately preceding the interest payment date or maturity, as the case may be.

The calculation agent will determine each interest rate basis in accordance with the following provisions, unless otherwise specified by a pricing supplement:

**CD Rate.** "CD Rate" means:

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