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t; VERTICAL-ALIGN: top; PADDING-TOP: 0in"> · exposure to any undisclosed or unknown potential liabilities relating to the CB Portfolio; and

· potential underinsured losses on the CB Portfolio.

We cannot assure you that we would be able to integrate the CB Portfolio without encountering difficulties or that any such difficulties will not have a material adverse effect on us. Additionally, we cannot assure you that the CB Portfolio Acquisition will be accretive to us in the near term or at all. Failure to realize the intended benefits of the CB Portfolio Acquisition could have a material adverse effect on our results of operations, financial condition, the market price of our common shares and our distributions to our shareholders. Furthermore, if we fail to realize the intended benefits of the CB Portfolio Acquisition, the market price of our common stock could decline to the extent that the market price reflects those benefits.

***We may not exercise our options to acquire additional interests in the CB Portfolio, which could have a material adverse effect on the price of our common stock, our business or our results of operations.***

Pursuant to the terms of the limited liability company operating agreements governing the properties that comprise the CB Portfolio, we currently do not have control of the CB Portfolio or its operations. Our holding a non-controlling interest in the CB Portfolio involves risks not present with respect to our wholly owned properties, including the following:

· we generally will be unable to take actions that are opposed by the CB Investors under arrangements that give the CB Investors sole control or that require us to share decision making authority over major decisions affecting the ownership or operation of the CB Portfolio;

· the CB Investors may take actions that we oppose or that result in liability to us;

· our ability to sell or transfer our interest in the CB Portfolio to a third party may be restricted without prior consent of the CB Investors;

· the CB Investors might become bankrupt or fail to fund their share of required capital contributions, which may delay construction, development or operation of a property;

· the CB Investors may have business interests or goals with respect to a property that conflict with our business interests and goals, which could increase the likelihood of disputes or impasses regarding the ownership, management or disposition of the property;

· the limited liability company operating agreements governing the properties in the CB Portfolio include certain provisions intended to protect our status as a REIT (including provisions which require our prior written consent before certain specific actions can be taken). However, we cannot provide any assurances that the CB Investors will not take actions that could jeopardize our status as a REIT or require us to pay tax;

· we may disagree with the CB Investors about decisions affecting a property or the CB Portfolio, which could result in litigation or arbitration that increases our expenses, distracts our officers and directors and disrupts the day-to-day operations of the property, including by delaying important decisions until the dispute is resolved; and

· we may suffer losses as a result of actions taken by the CB Investors with respect to the CB Portfolio.

The occurrence of one or more of these risks could have a material adverse effect on the price of our common stock, our business or our results of operations.

***If we do not exercise our options to acquire additional interests in the CB Portfolio, our economic interest in the CB Portfolio will be reduced.***

Through each of August 2014, May 2015, and May 2016, we may elect to acquire additional interests in the CB Portfolio at purchase prices and on terms set forth in the Purchase Agreement, as amended (see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – CB Portfolio Acquisition). If we do not elect to exercise a purchase option, we will lose the right to exercise future purchase options and, with respect to the August 2014 and May 2015 purchase options, our interest in the proceeds from any sale of any properties in the CB Portfolio will be reduced. If the August 2014 purchase option is not exercised, our interest in the CB Portfolio and its operating cash flows will be reduced to 48% and we will be entitled to only 45% of the proceeds of any sale of any portion of the CB Portfolio and will not be entitled to any preferred payments from and after the expiration of the August 2014 purchase option. If the August 2014 purchase option is exercised but the May 2015 purchase option is not exercised, our interest in the CB Portfolio and its operating cash flows will be reduced to 75% and we will be entitled to only 70% of the proceeds of any sale of any portion of the CB Portfolio. If the value of our interest in the CB Portfolio declines, it could have a material adverse effect on our balance sheet or on our financial performance or results of operations. Furthermore, as and to the extent that our interest in the CB Portfolio increases, it will comprise a larger percentage of our portfolio of properties, which will increase the risk that a decline in the value of the CB Portfolio could have a material adverse effect on our balance sheet or on our financial performance or results of operations.

***Our inability to provide audited financial statements for the CB Portfolio in accordance with Rule 3-09 of Regulation S-X may cause us to be unable to complete a registered offering, which would materially adversely affect our ability to access the capital markets.***

Pursuant to Rule 3-09 of Regulation S-X ("Rule 3-09"), we are required to provide in this Annual Report on Form 10-K ("Form 10-K") audited financial statements for the CB Portfolio for the period from March 18, 2013 to December 31, 2013. However, we are unable to file the audited financial information required by Rule 3-09 and have omitted such information in reliance on Rule 12b-21 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rule 409 promulgated under the Securities Act of 1933, as amended. In connection with our acquisition of the CB Portfolio we were required to rely upon the sellers of the CB Portfolio to provide the necessary information to complete the audited financial statements as required under Rule 3-09. The sellers of the CB Portfolio agreed to cooperate with us to provide all requested financial information relating to the CB Portfolio, and, in accordance with this agreement to cooperate, we requested the information necessary to complete the audited financial statements as required under Rule 3-09 and the sellers of the CB Portfolio cooperated in responding to such requests. Notwithstanding our and the sellers' extensive efforts to compile the necessary financial information, we have determined that the information necessary for the preparation of audited financial statements of the CB Portfolio in accordance with Rule 3-09 is not available or otherwise sufficiently reliable. As a result, we have included in this Form 10-K an unaudited combined consolidated statement of revenues and certain expenses for the CB Portfolio for the period from March 18, 2013 to December 31, 2013. As a result of including such financial information for the CB Portfolio, we do not believe that the omission of the audited financial statements in accordance with Rule 3-09 will have a material impact on a reader's understanding of our financial condition or our results of operations.

If the SEC, however, were to determine that we are not permitted to rely upon Rule 12b-21 and Rule 409 in these circumstances and were to determine that the omission of the audited financial statements as required under Rule 3-09 caused a material deficiency in our Form 10-K, then we would no longer be deemed timely and current in our Exchange Act reporting requirements and, therefore, would be ineligible to use a "short form" registration statement on Form S-3. In addition, the SEC may not declare effective any registration statement that we file in connection with an

offering that requires the financial statements under Rule 3-09 to be included. If, as a result, we are unable to complete a registered offering, our ability to access the public capital markets would be materially adversely affected. Any resulting inability to complete a registered offering may materially adversely impact our business, growth prospects (including our ability to exercise options to acquire additional interests in the CB Portfolio), financial condition and results of operations.

**Item 1B. Unresolved Staff Comments.**

None.

**Item 2. Properties.**

We own interests in 41 *The Grove*<sup>®</sup> operating properties and 28 Copper Beech branded operating properties. All of *The Grove*<sup>®</sup> operating properties are less than nine years old and more than half are less than four years old. No single property accounted for more than 5% of our total assets or gross revenue as of December 31, 2013 or 2012 or for the years then ended.

We focus our investment activities on properties located in medium-sized college and university markets where we believe the overall market dynamics are favorable. All of our properties are modern facilities with private baths for each bedroom and are largely uniform throughout the portfolio, with each property having a similar appearance and amenities package along with *The Grove*<sup>®</sup> branding. We own and maintain federal trademark registrations on *The Grove*<sup>®</sup> and *The Grove Fully Loaded College Living*<sup>®</sup>, each of which we registered on November 20, 2007. Thirty-one of our operating properties are wholly-owned and are operated under the brand *The Grove*<sup>®</sup>. Additionally, ten of our joint venture operating properties operate under the brand *The Grove*<sup>®</sup>. Our brand provides an identity for our marketing and selling activities, our operations and other on-site activities. The brand figures prominently on our web site, promotional materials and local signage and all of our properties, in general, have been based upon our common prototypical design.

Amenities at our properties generally include a resort style swimming pool, basketball courts, beach volleyball courts, fire pits and barbeque areas and a large clubhouse featuring a 24-hour fitness center, library and computer center, tavern style game room with billiards and other games, tanning beds, coffee shop and study areas. All of our properties are fully furnished with ultra suede upholstered couches and chairs and durable wood case goods, and have full kitchens as well as washers and dryers.

Generally, each student-tenant at our properties executes an individual lease agreement with us that is guaranteed by a parent or guardian. Lease terms are generally 11.5 months, which provides us with approximately two weeks to prepare a unit for a new tenant if the current tenant is vacating upon the expiration of the lease. Rent is payable monthly in 12 equal installments. In addition to unlimited use of all the property amenities listed above, each tenant is entitled to cable, water/sewer and a \$30 per month electricity allowance. Student-tenants are prohibited from subletting units without our prior written consent, which is conditioned on, among other things, the payment of a transfer fee. Student-tenants are responsible for the outstanding lease obligations in the event that they are denied admission to, withdraw from or are placed on academic suspension or dismissed by, the college or university that our property services.

At December 31, 2013, we owned a 67% effective ownership interest in 28 Copper Beech branded operating properties. The Copper Beech units are townhomes with 3 or 4 beds and may be rented by the unit or by the bed with leases that are generally guaranteed by a parent or guardian. Lease terms are generally 11.5 months, which provides approximately two weeks to prepare a unit for a new tenant if the current tenant is vacating upon the expiration of the lease. Rent is payable monthly in 12 equal installments. Student-tenants are prohibited from subletting units without our prior written consent, which is conditioned on, among other things, the payment of a transfer fee. Student-tenants are responsible for the outstanding lease obligations in the event that they are denied admission to, withdraw from or are placed on academic suspension or dismissed by, the college or university that our property services.

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The following table presents certain summary information about our *The Grove*® operating properties:

	City	State	Year Opened	Primary University Served	Fall 2012 Overall Enrollment	Distance to Campus (miles)	Number of Units	Number of Beds	Occupancy as of December 31, 2012
	Wholly Owned Grove Properties								
1	Asheville	NC	2005	UNC - Asheville	3,751	0.1	154	448	99%
2	Carrollton	GA	2006	University of West Georgia	11,769	0.1	168	492	99%
3	Las Cruces	NM	2006	New Mexico State University	29,033	0.4	168	492	85%
4	Milledgeville	GA	2006	Georgia College & State University	6,444	0.1	168	492	99%
5	Abilene	TX	2007	Abilene Christian University	4,367	0.5	192	504	95%
6	Ellensburg	WA	2007	Central Washington University	11,268	0.5	192	504	99%
7	Greeley	CO	2007	University of Northern Colorado	13,070	1.0	192	504	99%
8/9	Mobile - I & II <sup>(3)</sup>	AL	2007/2008	University of South Alabama	14,636	0.0	384	1,008	79%
10	Nacogdoches I & II	TX	2007/2013	Stephen F. Austin State University	12,999	0.4	260	682	86%
11	Cheney	WA	2008	Eastern Washington University	12,587	0.5	192	512	95%
12	Lubbock	TX	2008	Texas Tech University	32,467	1.2	192	504	93%
13	Stephenville	TX	2008	Tarleton State University	12,524	0.8	192	504	99%
14	Troy	AL	2008	Troy University	22,554	0.4	192	514	93%
15	Waco	TX	2008	Baylor University	15,364	0.8	192	504	91%
16	Murfreesboro	TN	2009	Middle Tennessee State University	25,394	0.8	186	504	98%
17	San Marcos	TX	2009	Texas State University	34,225	1.7	192	504	100%
18	Moscow	ID	2009	University of Idaho	12,420	0.5	192	504	99%
19	Huntsville	TX	2010	Sam Houston State University	18,461	0.2	192	504	100%
20	Statesboro	GA	2010	Georgia Southern University	20,574	0.7	200	536	75%
21	Ames	IA	2011	Iowa State University	30,748	0.3	216	584	100%
22	Clarksville	TN	2011	Austin Peay State University	10,597	1.3	208	560	89%
23	Columbia	MO	2011	University of Missouri	34,704	0.9	216	632	73%
24	Ft. Wayne	IN	2011	Indiana University / Purdue University	13,771	1.1	204	540	93%
25	Valdosta	GA	2011	Valdosta State University	12,515	1.9	216	584	88%
26	Auburn	AL	2012	Auburn University	25,134	0.0	216	600	99%
27		AZ	2012/2013		25,991	0.2	270	776	99%

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	Flagstaff - I & II			Northern Arizona University					
28	Orono	ME	2012	University of Maine	10,901	0.5	188	620	93
29	Fort Collins <sup>(3)</sup>	CO	2013	Colorado State University	30,659	0.0	218	612	100
30	Muncie	IN	2013	Ball State University	21,053	0.1	216	584	70
31	Pullman	WA	2013	Washington State University	27,679	0.0	97	263	100
	Subtotal				18,589	(4) 0.6	(4) 6,065	16,571	92
	Joint Venture Grove Properties <sup>(6)</sup>								
32	Lawrence	KS	2009	Kansas University	27,135	1.6	172	500	86
33	San Angelo	TX	2009	Angelo State University	6,888	0.3	192	504	96
34	Conway	AR	2010	University of Central Arkansas	11,107	0.4	180	504	70
35	Denton	TX	2011	University of North Texas	37,950	0.8	216	584	91
36	Fayetteville	AR	2012	University of Arkansas	24,537	0.5	232	632	60
37	Laramie	WY	2012	University of Wyoming	12,903	0.3	224	612	84
38	Stillwater	OK	2012	Oklahoma State University	25,708	0.8	206	612	95
39	Indiana	PA	2013	Indiana University of Pennsylvania	15,596	0.6	224	600	92
40	State College	PA	2013	Penn State University	45,783	0.8	224	600	68
41	Norman	OK	2013	University of Oklahoma	27,507	0.6	216	584	85
	Subtotal				23,511	(4) 0.7	(4) 2,086	5,732	82
	Total Grove Properties				19,819	(4) 0.6	(4) 8,151	22,303	90

(1) Represents executed leases in place for the 2013-2014 academic year.

(2) Total revenue (rental and service) for the year ended December 31, 2013 divided by the sum of leased beds at the properties per month.

(3) Properties subject to a ground lease with an unaffiliated third-party.

(4) Represents an average of the properties within the grouping.

(5) Weighted average by number of leased beds as of December 31, 2013.

(6) Joint venture properties include three properties in which we own a 49.9% interest, three properties in which we own a 10% interest, one property in which we own a 20% interest, and three properties in which we own a 30% interest.

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The following table presents certain summary information about our Copper Beech branded operating properties:

	City	State	Year Opened	Primary University Served	Fall 2012 Overall Enrollment	Distance to Campus (miles)	Number of Units	Number of Beds	Other
1	Copper Beech I State College	PA	1996	Penn State University	45,783	1.8	59	177	9
2	Copper Beech II State College	PA	1998	Penn State University	45,783	1.7	87	257	9
3	Oakwood State College	PA	2000	Penn State University	45,783	2.3	48	144	7
4	Northbrook Greens State College	PA	2003	Penn State University	45,783	1.9	166	250	10
5	Parkway Plaza State College	PA	2003	Penn State University	45,783	1.1	429	633	8
6	IUP Phase I Indiana	PA	2000	Indiana University of Pennsylvania	15,596	0.6	95	239	10
7	IUP Phase II Indiana	PA	2001	Indiana University of Pennsylvania	15,596	0.6	72	172	10
8	IUP Buy Indiana	PA	2004	Indiana University of Pennsylvania	15,596	0.6	43	74	10
9	Radford	VA	2005	Radford University	9,573	0.5	222	500	9
10	West Lafayette - Klondike	IN	2003	Purdue University	40,393	2.2	219	486	9
11	West Lafayette - Baywater	IN	2004	Purdue University	40,393	0.8	137	488	9
12	Bloomington	IN	2005	Indiana University	42,133	2.7	107	297	8
13	Mount Pleasant	MI	2005	Central Michigan University	27,626	0.7	204	632	8
14	Fresno	CA	2006	California State University at Fresno	22,565	2.7	178	506	9
15	Bowling Green Phase I	OH	2005	Bowling Green University	17,286	1.2	128	400	9
16	Bowling Green Phase II	OH	2007	Bowling Green University	17,286	1.2	72	216	9
17	Allendale Phase I	MI	2006	Grand Valley State University	24,654	0.5	206	614	10
18	Allendale Phase II	MI	2007	Grand Valley State University	24,654	0.5	82	290	10
19	Columbia	MO	2006	University of Missouri	34,704	1.5	214	654	10
20	Colonial Crest Bloomington	IN	2006	Indiana University	42,133	0.8	206	402	8
21	Columbia, SC Phase I	SC	2007	University of South Carolina	31,288	2.4	278	824	9
22	Columbia, SC Phase II	SC	2008	University of South Carolina	31,288	2.4	72	178	9
23	Morgantown	WV	2010	West Virginia University	29,707	1.8	335	920	9
24	Harrisonburg	VA	2008	James Madison University	19,927	1.2	414	1,218	9

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25	Harrisonburg Grand Duke	VA	2001	James Madison University	19,927		1.2		120	124	9
26	Greenville	NC	2008	East Carolina University	26,947		1.9		439	1,232	9
27	San Marcos Phase I	TX	2011	Texas State University	34,225		0.5		273	840	9
28	San Marcos Phase II	TX	2012	Texas State University	34,225		0.6		142	410	9
	Total Copper Beech Properties				30,237	(3)	1.3	(3)	5,047	13,177	9

(1) Represents executed leases in place for the 2013-2014 academic year.

(2) Total revenue (rental and service) for the year ended December 31, 2013 divided by the sum of leased beds at the properties per month.

(3) Represents an average of the properties within the grouping.

(4) Weighted average by number of leased beds as of December 31, 2013.

### Expected Development Properties

In 2013, we commenced building four properties for our own account, with completion targeted for the 2014-2015 academic year. Information with respect to these wholly-owned developments is included in the following table:

City	State	Targeted Completion	Primary University Served	Fall 2012 Overall Enrollment	Distance to Campus (Miles)	Number of Units	Number of Beds
Slippery Rock	PA	August 2014	Slippery Rock University	8,559	0.3	201	603
Grand Forks	ND	August 2014	University of North Dakota	15,250	0.1	224	600
Mt. Pleasant	MI	August 2014	Central Michigan University	27,626	0.9	216	584
Gainesville	FL	August 2014	University of Florida	49,913	0.3	253	676
Total				25,337	(1) 0.3	(2) 894	2,463

(1) Represents an average of the properties within the grouping.

(2) Represents the median distance of the properties within this grouping.



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As of December 31, 2013, our four wholly-owned properties under construction had total costs incurred of \$47.4 million and budgeted costs of approximately \$123.7 million.

We also commenced building two properties that are owned by a joint venture that we established with HSRE in which we own a 30% interest. We are currently targeting completion of these two properties for the 2014-2015 academic year. Information with respect to these joint venture developments is included in the following table:

City	State	Targeted Completion	Primary University Served	Fall 2012 Overall Enrollment	Distance to Campus (Miles)	Number of Units	Number of Beds
Greensboro	NC	August 2014	University of North Carolina at Greensboro	18,516	0.5	216	584
Louisville	KY	August 2014	University of Louisville	21,239	0.1	252	654
Total				19,878	(1) 0.3	(2) 468	1,238

(1)

Represents an average of the properties within the grouping.

(2)

Represents the median distance of the properties within this grouping.

As of December 31, 2013, these two joint venture properties under development described above had total costs incurred of \$24.6 million and budgeted costs of approximately \$69.1 million. Our proportionate share of the budgeted costs for these two joint venture projects is \$20.7 million.

In January 2013, we commenced building a property that is owned by a joint venture that we established with HSRE and Brandywine in which we own a 30% interest. We are currently targeting completion of this property for the 2014-2015 academic year. Information with respect to this joint venture development is included in the following table:

City	State	Targeted Completion	Primary Universities Served	Fall 2012 Overall Enrollment	Distance to Campus (Miles)	Number of Units	Number of Beds
Philadelphia	PA	August 2014	University of Pennsylvania/ Drexel University	25,113	0.1	344	850

As of December 31, 2013, this joint venture property under development had \$61.7 million total costs incurred and budgeted costs of approximately \$158.5 million. Our proportionate share of the budgeted costs for this joint venture project is \$47.6 million.

In October 2013, we commenced redeveloping one property that is owned by a joint venture that we established with Beaumont in which we owned a 20% interest as of December 31, 2013. In January 2014, our interest in this joint venture increased to 35% with the commencement of a second redevelopment project (see Note 18 to the accompanying consolidated financial statements). We are currently targeting completion of these properties for the 2014-2015 academic year. Information with respect to these joint venture developments is included in the following table:

City	Province	Targeted Completion	Primary Universities Served	Fall 2012 Overall Enrollment	Distance to Campus (Miles)	Number of Units	Number of Beds
Montreal	QC			27,591	0.6	715	1,290

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		August 2014	McGill University/Concordia University/ L'Ecole deTechnologie					
Montreal	QC	August 2014	McGill University	38,779	0.1		488	952
Total				33,185	(1) 0.4	(2)	1,203	2,242

(1)

Represents an average of the properties within the grouping.

(2)

Represents the median distance of the properties within this grouping.

As of December 31, 2013, these two joint venture properties under development described above had total costs incurred of \$56.5 million and budgeted costs of approximately \$166.4 million. Our proportionate share of the budgeted costs for these two joint venture projects is \$58.2 million.

Development and construction activities involve significant risks and uncertainties, including risks of delays, cost overruns and the potential expenditure of funds on projects that are not ultimately completed. For each of our expected 2014 development properties, we commenced construction subsequent to conducting significant pre-development activities and acquiring the land, or obtaining rights to the land as in a ground lease, necessary for the development of these properties. No assurance can be given that these developments will be completed in accordance with our current expectations, including those with respect to targeted completion and estimated cost. In addition, with respect to any properties developed through the joint venture that we established exclusively with HSRE, we will be responsible for funding the amount by which actual development costs for a project pursued by the venture exceed the budgeted development costs of such project (without any increase in our interest in the project). Moreover, no assurance can be given that these properties, if completed, will perform in accordance with our expectations. See "Risk Factors Risks Related to Our Business and Properties Developing properties will expose us to risks beyond those associated with owning and operating student housing properties, and could materially and adversely affect our profitability"; "Risk Factors Risks Related to Our Business and Properties The construction activities at our student housing properties expose us to liabilities and risks beyond those associated with the ownership and operation of student housing properties, which could materially and adversely affect our profitability"; "Risk Factors Risks Related to Our Business and Properties Our development activities are subject to delays and cost overruns, which could materially and adversely affect our results of operations an inhibit growth"; "Risk Factors Risks Related to Our Business and Properties We may not realize a return on our development activities in a timely manner, which could materially and adversely affect our financial condition and results of operations"; "Risk Factors Risks Related to Our Business and Properties Adverse economic conditions and dislocation in the credit markets have had a material and adverse effect on us and may continue to materially and adversely affect us"; and "Risk Factors Risks Related to Our Business and Properties Joint venture investments could be materially and adversely affected by our lack of sole decision-making authority, our reliance on our co-ventures' financial condition and disputes between our co-ventures and us."

As we actively seek new development opportunities, our current business plan contemplates the development of approximately six to eight new student housing properties per year. As part of this plan, we purchase land on which to build our properties. In addition to the projects under development at December 31, 2013, we owned seven land parcels that could be used for the development of seven properties (within either our wholly-owned portfolio or as contributions to joint venture projects) with an aggregate bed count ranging from approximately 3,000 to 3,500.

### **Item 3. Legal Proceedings.**

In the normal course of business, we are subject to claims, lawsuits and legal proceedings. In addition to the matter described below, we are involved in various routine legal proceedings arising in the ordinary course of business. Although the outcomes of such routine legal proceedings cannot be predicted with certainty, in the opinion of management, the ultimate resolution of such routine matters will not have a material adverse effect on our financial position or results of operations.

On July 3, 2012, we and certain of our subsidiaries were named in a state lawsuit filed with the 250<sup>th</sup> Judicial District Court of Travis County in Austin, Texas. The case arose from an accident at The Grove at Denton, located in Denton, Texas, in which a balcony of one of the units broke and three people were seriously injured. Also named as co-defendants in the case were the architect, the structural engineer and certain of our subcontractors. The plaintiffs allege, among other things, negligence on the part of the defendants in the design, construction, planning, operation and management of The Grove at Denton and seek actual and exemplary damages. The plaintiffs' initial complaint did not specify the amount of damages sought; however, in a recent filing the plaintiffs demanded \$20 million in damages. The parties have participated in settlement discussions, including mediation on two occasions but no resolution has been reached. The trial is currently scheduled to begin on May 5, 2014. Although it is not possible to predict the outcome of the lawsuit, we will continue to defend the case vigorously. Based on the totality of the circumstances, including the existence of insurance coverage, we do not believe that the lawsuit, if adversely determined, would have a material adverse effect on our financial position or results of operations. No amounts have

been accrued December 31, 2013.

**Item 4. Mine Safety Disclosures**

Not Applicable.

**PART II.**

**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

Information about our Amended and Restated Equity Incentive Compensation Plan is incorporated by reference to our definitive Proxy Statement for our 2014 annual meeting of stockholders (the "Proxy Statement").

**Market Information**

Our common stock has been listed and is traded on the NYSE under the symbol "CCG". The following table sets forth, for the quarterly periods indicated, the high and low sale prices per share reported on the NYSE and declared dividends per share for our common stock:

Period	Stock Price High	Low	Common Stock Dividends	Preferred Series A Dividends		
2012:						
First Quarter	\$ 11.81	\$ 10.06	\$ 0.16	\$ 0.37		
Second Quarter	12.00	10.02	0.16	0.50		
Third Quarter	11.61	10.29	0.16	0.50		
Fourth Quarter	12.31	10.47	0.16	0.50	(1)	(2)
2013:						
First Quarter	\$ 14.11	\$ 11.81	\$ 0.165	\$ 0.50		
Second Quarter	14.36	10.73	0.165	0.50		
Third Quarter	12.43	10.10	0.165	0.50		
Fourth Quarter	10.82	8.90	0.165	0.50	(3)	(4)

(1) Paid January 9, 2013, to stockholders of record on December 26, 2012.

(2) Paid January 15, 2013, to stockholders of record on December 26, 2012.

(3) Paid January 8, 2014, to stockholders of record on December 23, 2013.

(4) Paid January 15, 2014, to stockholders of record on December 23, 2013.

On October 22, 2013, our Board of Directors declared a fourth quarter 2013 dividend of \$0.165 per common share and OP Unit that was paid in cash on January 8, 2014, to stockholders of record on December 23, 2013. The common stock dividends of \$0.66 per share are classified for income tax purposes as 14.8% taxable ordinary dividend, 1.2% qualified dividend, 2.9% capital gain, and 81.1% return of capital.

On October 22, 2013, our Board of Directors also declared a cash dividend of \$0.50 per share of Series A Preferred Stock for the fourth quarter of 2013 that was paid in cash on January 15, 2014, to stockholders of record on December 23, 2012. The Preferred Series A stock dividends of \$2.00 per share are classified for income tax purposes as 78.3% taxable ordinary dividend, 6.4% qualified dividend, and 15.3% capital gain.

**Performance Graph**

The following graph provides a comparison of the cumulative total return on our common stock from October 19, 2010 (first day of trading for our common stock) to the NYSE closing price per share on December 31, 2013 with the cumulative total return on the Standard & Poor's 500 Composite Stock Price Index, or the S&P 500 Index, and the FTSE ERPA/NAREIT United States Index, or the FTSE ERPA/NAREIT US Index. Total return values were calculated assuming a \$100 investment on October 19, 2010 with the reinvestment of all dividends in (i) our common stock, (ii) the S&P 500 Index and (iii) the FTSE ERPA/NAREIT US Index.

The actual returns on the graph above are as follows:

Name	Initial Investment October 19, 2010	Value of Initial Investment at December 31, 2010	Value of Initial Investment at December 31, 2011	Value of Initial Investment at December 31, 2012	Value of Initial Investment at December 31, 2013
Campus Crest Communities, Inc.	\$ 100.00	\$ 112.96	\$ 85.76	\$ 110.54	\$ 90.13
S&P 500	100.00	108.33	110.62	128.32	169.88
FTSE ERPA/NAREIT US Index	100.00	103.06	111.05	131.01	134.24

**Holdings**

As of December 31, 2013, there were approximately 62 holders of record of our common stock and 64,502,430 shares of common stock outstanding.

**Distributions**

We intend to continue to declare quarterly distributions on our common stock. The actual amount, timing and form of payment of distributions, however, will be at the discretion of our Board of Directors and will depend upon our financial condition in addition to the requirements of the Internal Revenue Code, and no assurance can be given as to the amounts, timing or form of payment of future distributions. The payment of distributions is subject to restrictions under our corporate-level debt described in Note 7 to the Consolidated Financial Statements in Item 15 and discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 under "Liquidity and Capital Resources".

**Item 6. Selected Financial Data.**

You should read the following selected financial and operating data in conjunction with the Notes to Consolidated Financial Statements in Item 15 and Management's Discussion and Analysis of Financial Condition and Results of Operations included in Item 7.

**Statements of Operations Information:**

	The Company			Predecessor		Year Ended December 31, 2009
	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011	October 19, 2010 Through December 31, 2010	January 1, 2010 Through October 18, 2010	
(in thousands, except share data)						
Revenues:						
Student housing rental	\$ 87,635	\$ 71,211	\$ 49,048	\$ 8,784	\$ 32,609	\$ 36,131
Student housing services	3,615	2,880	2,062	254	1,254	1,978
Development, construction and management services	51,069	54,295	35,084	74	35,687	60,711
Total revenues	142,319	128,386	86,194	9,112	69,550	98,820
Operating expenses:						
Student housing operations	40,346	32,633	23,316	4,278	17,921	18,217
Development, construction and management services	46,759	50,493	31,051	-	33,986	61,411
General and administrative	10,658	8,821	6,749	1,157	5,515	5,610
Transaction costs	1,121	-	-	-	-	-
Ground leases	249	217	209	42	214	264
Impairment of unconsolidated entity	312	-	-	-	-	-
Depreciation and amortization	23,700	20,693	16,524	3,052	11,311	13,940
Total operating expenses	123,145	112,857	77,849	8,529	68,947	99,442
Equity in earnings (loss) of unconsolidated entities	(3,727)	361	(1,164)	(163)	(259)	(59)
Operating income (loss)	15,447	15,890	7,181	420	344	(681)
Nonoperating income (expense):						
Interest expense	(12,969)	(11,545)	(6,888)	(2,149)	(19,379)	(13,732)
Other income (expense)	1,414	(410)	720	190	914	841
Gain on purchase of previously unconsolidated entities	-	6,554	3,159	577	-	-
Total nonoperating expenses, net	(11,555)	(5,401)	(3,009)	(1,382)	(18,465)	(12,891)
Income (loss) before income taxes	3,892	10,489	4,172	(962)	(18,121)	(13,572)
Income tax benefit (expense)	727	(356)	(464)	-	-	-
Income (loss) from continuing operations	4,619	10,133	3,708	(962)	(18,121)	(13,572)
Income (loss) from discontinued operations	(3,001)	665	73	(643)	(2,531)	(3,651)
Net income (loss)	1,618	10,798	3,781	(1,605)	(20,652)	(17,223)
Net income (loss) attributable to noncontrolling interests	(34)	46	51	(14)	(7,479)	(10,486)
Dividends on preferred stock	6,183	4,114	-	-	-	-
Net income (loss) attributable to Campus Crest Communities, Inc and Predecessor	\$ (4,531)	\$ 6,638	\$ 3,730	\$ (1,591)	\$ (13,173)	\$ (6,737)
Net income (loss) per share attributable to						

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common stockholders - basic and diluted:				
Basic and diluted	\$ (0.08)	\$ 0.19	\$ 0.12	\$ (0.05)
Weighted-average common shares outstanding:				
Basic	59,984	34,781	30,717	29,877
Diluted	60,418	35,217	31,153	29,877
Distributions per common share	\$ 0.66	\$ 0.64	\$ 0.64	\$ 0.13



**Balance Sheet Information:**

(in thousands)	The Company				Predecessor
	December 31, 2013	2012	2011	2010	2009
<b>Assets</b>					
Investment in real estate, net:					
Student housing properties	\$ 716,285	\$ 669,387	\$ 512,227	\$ 372,746	\$ 347,157
Accumulated depreciation	(102,356)	(97,820)	(76,164)	(57,463)	(38,999)
Development in process	91,184	50,781	45,278	24,232	3,300
Investment in real estate, net	705,113	622,348	481,341	339,515	311,458
Investment in unconsolidated entities	324,838	22,555	21,052	13,751	2,980
Other assets, net	152,728	51,417	37,864	17,991	17,358
Total assets	\$ 1,182,679	\$ 696,320	\$ 540,257	\$ 371,257	\$ 331,796
<b>Liabilities and equity</b>					
<b>Liabilities:</b>					
Mortgage and construction loans	\$ 205,531	\$ 218,337	\$ 186,914	\$ 60,840	\$ 329,102
Line of credit and other debt	207,952	75,375	82,052	42,500	14,070
Other liabilities	74,215	57,706	40,156	21,127	31,340
Total liabilities	487,698	351,418	309,122	124,467	374,512
<b>Equity (deficit):</b>					
Stockholders' and owner's equity (deficit)	690,327	340,461	227,109	243,159	(50,090)
Cumulative redeemable preferred stock	61	23	-	-	-
Noncontrolling interests	4,593	4,418	4,026	3,631	7,374
Total equity (deficit)	694,981	344,902	231,135	246,790	(42,716)
Total liabilities and equity (deficit)	\$ 1,182,679	\$ 696,320	\$ 540,257	\$ 371,257	\$ 331,796

**Other Data:**

(unaudited and in thousands)	The Company			Predecessor		
	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011	October 19, 2010 Through December 31, 2010	Predecessor January 1, 2010 Through October 18, 2010	Year Ended December 31, 2009
Funds from operations ("FFO" <sup>†</sup> )						
Net income (loss)	\$ (4,531)	\$ 6,638	\$ 3,730	\$ (1,591)	\$ (13,173)	\$ (6,737)
Net income (loss) attributable to noncontrolling interests	(34)	46	51	(14)	(7,479)	(10,486)
	-	(6,554)	(3,159)	(577)	-	-

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Gain on purchase of joint venture properties <sup>(2)</sup>						
Impairment of disposed assets <sup>(3)</sup>	4,729	-	-	-	-	-
Impairment of investment in unconsolidated entity <sup>(4)</sup>	312	-	-	-	-	-
Real estate related depreciation and amortization	25,503	23,521	19,832	3,911	14,660	18,205
Real estate related depreciation and amortization unconsolidated entities	23,271	1,731	2,434	454	245	52
FFO	\$ 49,250	\$ 25,382	\$ 22,888	\$ 2,183	\$ (5,747)	\$ 1,034
FFO	\$ 49,250	\$ 25,382	\$ 22,888	\$ 2,183	\$ (5,747)	\$ 1,034
Elimination of change in fair value of interest rate derivatives <sup>(5)</sup>	-	-	(337)	(139)	(5,002)	(3,480)
Elimination of write-off of unamortized deferred financing fees	236	966	-	-	-	-
Elimination of transaction costs	1,121	-	-	-	-	-
Elimination of transaction costs included in equity in earnings	906	-	-	-	-	-
Elimination of fair value debt and purchase accounting adjustments at our investment in Copper Beech <sup>(6)</sup>	(3,576)	-	-	-	-	-
Elimination of development cost write-off	175	-	-	-	537	1,211
Funds from operations adjusted ("FFOA" <sup>(7)</sup> )	\$ 48,112	\$ 26,348	\$ 22,551	\$ 2,044	\$ (10,212)	\$ (1,235)



FFO is used by industry analysts and investors as a supplemental operating performance measure for REITs. We calculate FFO in accordance with the definition that was adopted by the Board of Governors of the National Association of Real Estate Investment Trusts, or NAREIT. FFO, as defined by NAREIT, represents net income (loss) determined in accordance with GAAP, excluding extraordinary items as defined under GAAP and gains or losses from sales of previously depreciated operating real estate assets, plus specified non-cash items, such as real estate asset depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. In addition, in October 2011, NAREIT communicated to its members that the exclusion of impairment write-downs of depreciable real estate is consistent with the definition of FFO. We use FFO as a supplemental performance measure because, in excluding real estate-related depreciation and amortization and gains and losses from property dispositions, it provides a performance measure that, when compared year over year, captures trends in occupancy rates, rental rates and operating expenses. We also believe that, as a widely recognized measure of the performance of equity REITs, FFO will be used by investors as a basis to compare our operating performance with that of other REITs. However, because FFO excludes depreciation and amortization and captures neither the changes in the value of our properties that result from use or market conditions nor the level of capital expenditures necessary to maintain the operating performance of our properties, all of which have real economic effects and could materially and adversely impact our results from operations, the utility of FFO as a measure of our performance is limited. While FFO is a relevant and widely used measure of operating performance of equity REITs, other equity REITs may use different methodologies for calculating FFO and, accordingly, FFO as disclosed by such other REITs may not be comparable to FFO published herein. Therefore, we believe that in order to facilitate a clear understanding of our historical operating results, FFO should be examined in conjunction with net income (loss) as presented in the consolidated and combined financial statements and the other financial statements accompanying this report. FFO should not be considered as an alternative to net income (loss) (computed in accordance with GAAP) as an indicator of the properties' financial performance or to cash flow from operating activities (computed in accordance with GAAP) as an indicator of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to pay dividends or make distributions.

- (1) For 2010, gain was from the purchase of our joint venture partner's interest in The Grove at San Marcos, Texas; for 2011, gain was from the purchase of our joint venture partner's interests in The Grove at Huntsville, Texas, and The Grove at Statesboro, Georgia; for 2012, gain was from the purchase of our joint venture partner's interests in The Grove at Moscow, Idaho, and The Grove at Valdosta, Georgia.
- (2) In 2013, we sold four unencumbered, wholly-owned properties: The Grove at Jacksonville, Alabama, The Grove at Jonesboro, Arkansas, The Grove at Wichita, Kansas, and The Grove at Wichita Falls, Texas, for a combined sales price of \$51.0 million resulting in net proceeds of approximately \$48.6 million. In connection with the disposition of these properties, we recorded an impairment of \$4.7 million.
- (3) In January 2014, we acquired from HSRE the remaining interest in The Grove at Denton for approximately \$7.7 million. Prior to this transaction, The Grove at Denton was wholly owned by a real estate venture of which we owned 20% and HSRE owned the remaining 80%. In connection with evaluating our purchase of the remaining interests in the properties, we recognized a loss of approximately \$0.3 million related to the re-measurement of our previously held equity interests in the properties at the acquisition date.
- (4) Includes only the non-cash portion of the change in unhedged derivatives.
- (5) Includes our proportionate share of non-cash fair value debt and other purchase accounting adjustments in our investment in Copper Beech.
- (6) When considering our FFO, we believe it is also a meaningful measure of our performance to adjust FFO to exclude the change in fair value of unhedged interest rate derivatives, write-off of unamortized deferred financing fees, transaction costs (including those within equity in earnings), fair value of debt adjustments within our investment in Copper Beech and the write-off of development costs. Excluding the non-cash portion of the change in fair value of unhedged interest rate derivatives, write-off of unamortized deferred financing fees, transaction costs (including those within equity in earnings), fair value of debt adjustments within our investment in Copper Beech and the write-off of development costs adjusts FFO to be more reflective of operating results prior to capital replacement or expansion, debt amortization of principal or other commitments and contingencies. This

measure is referred to herein as FFOA.

	The Company Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011	The Company and Predecessor Year Ended December 31, 2010	Predecessor Year Ended December 31, 2009
Net cash flow information:					
Net cash provided by (used in) operating activities	\$ 14,388	\$ 29,470	\$ 22,770	\$ (6,923)	\$ 4,353
Net cash used in investing activities	(489,673)	(133,053)	(126,916)	(59,931)	(23,552)
Net cash provided by financing activities	501,369	98,818	112,554	66,279	11,060

**Selected Property Information:**

	The Company Year Ended December 31, 2013 <sup>(1)</sup>	Year Ended December 31, 2012	Year Ended December 31, 2011	The Company and Predecessor Year Ended December 31, 2010	Predecessor Year Ended December 31, 2009
Operating Properties	69	39	33	27	24
Units	13,198	7,670	6,324	5,048	4,476
Beds	35,480	20,884	17,064	13,580	12,036
Occupancy	92.3 %	90.4 %	89.0 %	89.0 %	84.0 %

(1) Includes both *The Grove*<sup>®</sup> and Copper Beech properties for the year ended December 31, 2013.

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

As used herein, references to "we," "us," "our," the "Company" and "Campus Crest" refer to Campus Crest Communities, Inc. and our consolidated subsidiaries, including Campus Crest Communities Operating Partnership, LP (the "Operating Partnership"), except where the context otherwise requires.

**Overview*****Our Company***

We are a self-managed, self-administered and vertically-integrated REIT focused on developing, building, owning and managing a diversified portfolio of high-quality, residence life focused student housing properties. We operate our business through the Operating Partnership and our subsidiaries. We derive substantially all of our revenue from student housing rental, student housing services, construction, development services and management services. As of December 31, 2013, we owned the sole general partnership interest, 99.3% of the outstanding common units of limited partnership interest in the Operating Partnership, or OP Units, and all of the outstanding preferred units of limited partnership interest in the Operating Partnership.

We believe that we are one of the largest vertically-integrated developers, builders, owners and managers of high-quality, residence life focused student housing properties in the United States, based on beds owned and under management. As of December 31, 2013, we owned interests in 41 operating student housing *The Grove*<sup>®</sup> properties

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containing approximately 8,151 apartment units and 22,303 beds. Thirty-one of our operating *The Grove*<sup>®</sup> properties are wholly-owned and ten of our *The Grove*<sup>®</sup> properties are owned through joint ventures with HSRE. As of December 31, 2013, we also owned interests in 28 operating student housing Copper Beech branded properties containing approximately 5,047 apartment units and 13,177 beds. Our Copper Beech branded properties are owned by us and the CB Investors (see "- CB Portfolio Acquisition" below). As of December 31, 2013, we owned one wholly-owned redevelopment property. As of December 31, 2013, our operating portfolio consisted of the following:

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	Properties in Operation	Ownership		Number of Units	Number of Beds
Wholly owned Grove properties	31	100.0	%	6,065	16,571
Joint venture Grove properties:					
HSRE I	3	49.9	%	544	1,508
HSRE IV <sup>(1)</sup>	1	20.0	%	216	584
HSRE V	3	10.0	%	662	1,856
HSRE VI	3	20.0	%	664	1,784
Total Grove properties	41			8,151	22,303
CB Portfolio <sup>(2)</sup>	28	67.0	%	5,047	13,177
Total Portfolio <sup>(3)</sup>	69			13,198	35,480

(1) In January 2014, we acquired the outstanding interest in The Gove at Denton, Texas.

(2) As of December 31, 2013, we held an effective interest in the CB Portfolio of 67%.

(3) The re-development of our 100% owned property in Toledo, OH is excluded. We expect to announce more details on the redevelopment in 2014.

As of December 31, 2013, the average occupancy for our 41 operating *The Grove*<sup>®</sup> properties was approximately 90.1% and the average monthly total revenue per occupied bed was approximately \$519. Our operating *The Grove*<sup>®</sup> properties are located in 19 states, contain modern apartment units with many resort-style amenities, and have an average age of approximately 3.7 years as of December 31, 2013. Our properties are primarily located in medium-sized college and university markets, which we define as markets located outside of major U.S. cities that have nearby schools generally with overall enrollment of approximately 5,000 to 20,000 students. We believe such markets are underserved and are generally experiencing enrollment growth.

We have developed, built and managed substantially all of our wholly-owned properties and several of our unconsolidated, joint venture properties, which are based upon a common prototypical residential building design. We believe that our use of this prototypical building design, which we have built approximately 675 times (approximately 15 of such residential buildings make up one student housing property), allows us to efficiently deliver a uniform and proven student housing product in multiple markets. All of our operating properties (other than those in the CB Portfolio as defined below and Toledo) operate under *The Grove*<sup>®</sup> brand, and we believe that our brand and the associated lifestyle are effective differentiators that create higher visibility and appeal for our properties within their markets both with the student as well as the universities we serve.

In addition to our existing properties, we actively seek organic growth opportunities. We commenced building or redeveloping nine new student housing properties in 2013, one of which is owned by a joint venture with HSRE and Brandywine in which we own a 30.0% interest and act as the co-developer, one of which is owned by a joint venture with Beaumont in which we owned a 20.0% interest at December 31, 2013, two of which are owned by a joint venture with HSRE in which we own a 30% interest, one of which is being built as a Copper Beech branded property in which our ownership interest is commensurate with the remainder of the CB Portfolio, and four of which are wholly-owned by us. In January 2014, we commenced redevelopment on one student housing property of which is owned by a joint venture with Beaumont in which we owned a 35.0% interest. The following is a summary of these developments:

Project	Location	Primary University Served	Ownership	Units	Beds	Estimated Project Cost <sup>(1)</sup>	Scheduled Opening for Occupancy
Wholly Owned:							



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The Grove at Slippy Rock	Slippy Rock, PA	Slippy Rock University	100.0	%	201	603	29.9	August 2014
The Grove at Grand Forks	Grand Forks, ND	University of North Dakota	100.0	%	224	600	28.2	August 2014
The Grove at Mt. Pleasant	Mt. Pleasant, MI	Central Michigan University	100.0	%	216	584	24.1	August 2014
The Grove at Gainesville	Gainesville, FL	University of Florida	100.0	%	253	676	41.4	August 2014
Joint Venture: The Grove at Greensboro	Greensboro, NC	University of North Carolina at Greensboro	30.0	%	216	584	27.9	August 2014
The Grove at Louisville	Louisville, KY	University of Louisville	30.0	%	252	656	41.2	August 2014
evo at Cira Centre South	Philadelphia, PA	University of Pennsylvania/ Drexel University	30.0	%	344	850	158.5	August 2014
Copper Beech at Ames	Ames, IA	Iowa State University	67.0	%	219	660	33.6	August 2014
evo à Station-Square Victoria	Montreal, Quebec	McGill University/ Concordia University/ L'Ecole de Technologie	20.0	% (2)	715	1,290	82.9	August 2014
evo à Sherbrooke	Montreal, Quebec	McGill University	35.0	% (3)	488	952	83.5	August 2014
					3,128	7,455	\$ 551.2	

(1) Estimated project cost amounts are in millions.

- (2) At December 31, 2013, our ownership percentage in CSH Montreal, the holding company that owns our joint venture with Beaumont, DCV Holdings, was 20.0%. Effective January 2014, with the closing of an additional property, our ownership percentage increased to 35.0%. See Note 18 to the accompanying consolidated financial statements.
- (3) Re-development property acquired by DCV Holdings on January 15, 2014. See Note 18 to the accompanying consolidated financial statements.

### ***CB Portfolio Acquisition***

In February 2013, we entered into purchase and sale agreements to acquire an approximate 48.0% interest in a portfolio of 35 student housing properties, one undeveloped land parcel and a corporate office building held by the members of Copper Beech Townhome Communities, LLC ("CBTC") and Copper Beech Townhome Communities (PA), LLC ("CBTC PA," together with CBTC, "Copper Beech" or the "Sellers") (the "CB Portfolio"), and a fully integrated platform and brand with management, development and construction teams, for an initial purchase price of approximately \$230.2 million, including the repayment of \$106.7 million of debt. The remaining interests in the CB Portfolio are held by certain of the former members of CBTC and CBTC PA, (the "CB Investors"). Pursuant to our 48.0% interest in the CB Portfolio, we entered into a purchase and sale agreement (the "Purchase Agreement"), and related transactions, with the members of CBTC and CBTC PA, to acquire in steps a 36.3% interest in the CB Portfolio. We also entered into a purchase and sale agreement with certain investors in the CB Portfolio who are not members of Copper Beech (the "Non-Member Investors") to acquire the interests in the CB Portfolio held by such Non-Member Investors (the "Non-Member Purchase Agreement"). Pursuant to the Non-Member Purchase Agreement, we acquired approximately an 11.7% interest in the CB Portfolio from the Non-Member Investors. We refer to this transaction as the "CB Portfolio Acquisition."

Our \$230.2 million investment in the CB Portfolio entitles us to a preferred payment of \$13.0 million for the first year of our investment and 48.0% of remaining operating cash flows. In connection with the CB Portfolio Acquisition we loaned approximately \$31.7 million to the CB Investors. The loan had an interest rate of 8.5% per annum and a term of three years, and was secured by the CB Investors' interests in six unencumbered properties in the CB Portfolio. This amount was repaid by year end. See below for further discussion.

For the year ended December 31, 2013, we recognized approximately (\$3.8) million in equity in loss of Copper Beech and approximately \$1.4 million in interest income from the loan to the CB Investors. Additionally, for the year ended December 31, 2013, we recognized approximately \$1.1 million of transaction expenses related to the CB Portfolio Acquisition and incurred \$16.9 million of costs which were included in our investment basis in the CB Portfolio.

### ***Amendment to Copper Beech Purchase Agreement***

On September 30, 2013 and effective subject to the receipt of required third party consents, we entered into an Amendment (the "Amendment") to the Purchase Agreement. As consideration for entering into the Amendment, we paid the CB Investors \$4.0 million.

Pursuant to the terms of the Amendment, following receipt of required third party consents, we will transfer our 48.0% interest in five properties in the Copper Beech Portfolio (Copper Beech Auburn, Copper Beech Kalamazoo Phase 1, Copper Beech Kalamazoo Phase 2, Copper Beech Oak Hill and Copper Beech Statesboro Phase 1) back to the CB Investors and defer the acquisition of two development properties (Cooper Beech Mt. Pleasant Phase 2 and Cooper Beech Statesboro Phase 2) until August 18, 2014 as consideration for an additional 19.0% interest in each of the remaining 30 properties in the Copper Beech Portfolio (the "Initial Copper Beech Properties"). Following the transfer of such properties, we will hold a 67.0% interest in each of 30 properties in the CB Portfolio, with the CB

Investors holding the remaining 33.0% interest. In addition, under the terms of the Amendment, we have the option, exercisable from March 18, 2014 through August 18, 2014, to acquire an 18.0% interest in each of the seven properties whose acquisition is being deferred (collectively, the “Deferred Copper Beech Properties”), which will entitle us to 33.0% of the operating cash flows of such Deferred Copper Beech Properties. The purchase price for the exercise of this option is approximately \$16.9 million. In order to exercise this option, we must also exercise the option to acquire an additional 18.0% interest in the Initial Copper Beech Properties, which is described below.

Both we and the CB Investors hold joint approval rights for major decisions, including those regarding property acquisition and disposition as well as property operation. As such, we hold a noncontrolling interest in the CB Portfolio and accordingly apply the equity method of accounting.

The Amendment also amends our options, but not obligations, to acquire additional interests in the Copper Beech Portfolio as follows:

Beginning March 18, 2014 through August 18, 2014, we have the option to acquire an additional 18.0% interest in the Initial Copper Beech Properties, increasing our aggregate interest in such properties to 85.0%, which will entitle us to 100% of the operating cash flows of the Initial Copper Beech Properties. The aggregate purchase price for the exercise of this purchase option is approximately \$93.5 million plus debt repayment of approximately \$21.0 million.

Through May 2015, we have the option to acquire an additional 3.9% interest in the Initial Copper Beech Properties and an additional 70.9% interest in the Deferred Copper Beech Properties, increasing our aggregate interest in all 37 properties in the Copper Beech Portfolio to 88.9%, which will entitle us to 100% of the operating cash flows of the Initial Copper Beech Properties and the Deferred Copper Beech Properties. The aggregate purchase price for the exercise of this purchase option is approximately \$100.7 million plus debt repayment of approximately \$19.0 million.

Through May 2016, we have the option to acquire an additional 11.1% interest in the Copper Beech Portfolio, increasing our aggregate interest to 100%. The aggregate purchase price for the exercise of this purchase option is approximately \$53.4 million.

If we elect to exercise any of the purchase options, we are not obligated to exercise any subsequent purchase options. In the event we do not elect to exercise a purchase option, we will lose the right to exercise future purchase options. If the first purchase option is not exercised, we will be entitled to a 48.0% interest in all 37 properties in the CB Portfolio and will be entitled to 48.0% of operating cash flows and 45.0% of the proceeds of any sale of any portion of the CB Portfolio. If the first purchase option is exercised but the second purchase option is not exercised, we will be entitled to a 75.0% interest in all 37 properties in the CB Portfolio and will be entitled to 75.0% of operating cash flows and 70.0% of the proceeds of any sale of any portion of the CB Portfolio. If the second purchase option is exercised but the third purchase option is not exercised, we will retain our 88.9% interest in the CB Portfolio and will be entitled to 88.9% of both operating cash flows and the proceeds of any sale of any portion of the CB Portfolio.

In connection with the Amendment, the Sellers repaid the entire principal balance of \$31.7 million outstanding under the loans previously provided by us.

The CB Portfolio consists of 35 student housing properties, one undeveloped land parcel in Charlotte, North Carolina, and Copper Beech's corporate office building in State College, Pennsylvania. The CB Portfolio consists primarily of townhouse units located in eighteen geographic markets in the United States across thirteen states, with 30 of the 35 student housing properties having been developed by Copper Beech. As of December 31, 2013, the CB Portfolio comprised approximately 5,047 rentable units with approximately 13,177 rentable beds. The CB Portfolio student housing properties have an average age of approximately 8.5 years. As of December 31, 2013, the average occupancy for the student housing properties was approximately 96.1%. For the year ended December 31, 2013, the average monthly total revenue per occupied bed was approximately \$493.

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The following table presents certain summary information about the properties in the CB Portfolio:

Initial Copper Beech Properties	Primary University	Units	Beds
Copper Beech I State College	Penn State University	59	177
Copper Beech II State College	Penn State University	87	257
Oakwood--State College	Penn State University	48	144
Northbrook Greens State College	Penn State University	166	250
Parkway Plaza State College	Penn State University	429	633
IUP Phase I Indiana	Indiana University of Pennsylvania	95	239
IUP Phase II Indiana	Indiana University of Pennsylvania	72	172
IUP Buy Indiana	Indiana University of Pennsylvania	43	74
Radford, VA	Radford University	222	500
Klondike Purdue	Purdue University	219	486
Baywater Purdue	Purdue University	137	488
Bloomington, IN	Indiana University	107	297
CMU Phase I Mount Pleasant, MI	Central Michigan University	204	632
Fresno, CA	California State University at Fresno	178	506
Bowling Green Phase I	Bowling Green University	128	400
Bowling Green Phase II	Bowling Green University	72	216
Allendale Phase I	Grand Valley State University	206	614
Allendale Phase II	Grand Valley State University	82	290
Columbia, MO	University of Missouri	214	654
Colonial Crest Bloomington, IN	Indiana University	206	402
Columbia, SC Phase I	University of South Carolina	278	824
Columbia, SC Phase II	University of South Carolina	72	178
Morgantown, WV	West Virginia University	335	920
Harrisonburg, VA	James Madison University	414	1,218
Grand Duke	James Madison University	120	124
Greenville, NC	East Carolina University	439	1,232
San Marcos, TX Phase I	Texas State University	273	840
San Marcos, TX Phase II	Texas State University	142	410
Total - Initial Copper Beech Properties		5,047	13,177
Deferred Copper Beech Properties	Primary University	Units	Beds
Oak Hill State College	Penn State University	106	318
CMU Phase II Mount Pleasant, MI	Central Michigan University	119	256
Statesboro, GA Phase I	Georgia Southern University	246	754
Statesboro, GA Phase II	Georgia Southern University	82	262
Kalamazoo Phase I	Western Michigan University	256	784
Kalamazoo Phase II	Western Michigan University	115	340
Auburn, AL	Auburn University	271	754
Total - Deferred Copper Beech Properties		1,195	3,468

***Our Relationship With HSRE***

We are a party to active joint venture arrangements with HSRE, a real estate private equity firm founded in 2005 that has significant real estate asset holdings, including student housing properties, senior housing/assisted living units, self-storage units, boat storage facilities and medical office space. As of December 31, 2013, we hold 10 operating

joint venture properties with HSRE and are in the process of developing three additional properties in partnership with HSRE, including one joint venture project where we are partners with both HSRE and Brandywine.

*HSRE I.* Our first joint venture with HSRE, HSRE-Campus Crest I, LLC ("HSRE I"), indirectly owned 100% of the interests in the following three properties at December 31, 2010: The Grove at Conway, Arkansas, The Grove at Lawrence, Kansas, and The Grove at San Angelo, Texas. On July 5, 2012, we completed the purchase of HSRE's 50.1% interest in The Grove at Moscow, Idaho, which was included in HSRE I prior to that date. On December 29, 2011, we completed the purchase of HSRE's 50.1% interests in The Grove at Huntsville, Texas and The Grove at Statesboro, Georgia, which were included in HSRE I prior to that date. At December 31, 2013, we owned a 49.9% interest in HSRE I and HSRE owned the remaining 50.1%.

In general, we are responsible for the day-to-day management of HSRE I's business and affairs, provided that major decisions must be approved by us and HSRE. In addition to distributions to which we are entitled as an investor in HSRE I, we receive or have in the past received fees for providing services to the properties held by HSRE I pursuant to development and construction agreements and property management agreements. We granted to an entity related to HSRE I a right of first opportunity with respect to certain development or acquisition opportunities identified by us. This right of first opportunity was to terminate at such time as HSRE had provided at least \$40 million of equity funding to HSRE I and/or certain related ventures. This right of first opportunity was amended in conjunction with the formation of HSRE IV as discussed below. HSRE I will dissolve upon the disposition of substantially all of its assets or the occurrence of certain events specified in the agreement between us and HSRE.

*HSRE IV.* In January 2011, we entered into a joint venture with HSRE, HSRE-Campus Crest IV, LLC ("HSRE IV") to develop and operate additional purpose-built student housing properties. HSRE IV completed two new student housing properties in August 2011 for the 2011-2012 academic year. The properties, located in Denton, Texas, and Valdosta, Georgia, contain an aggregate of approximately 1,168 beds and cost approximately \$45.7 million. We own a 20.0% interest in this venture and affiliates of HSRE own the balance. On July 5, 2012, we completed the purchase of HSRE's 80% interest in The Grove at Valdosta, which was included in HSRE IV prior to that date.

*HSRE V.* In October 2011, we entered into a joint venture with HSRE, HSRE-Campus Crest V, LLC ("HSRE V"), to develop and operate additional purpose-built student housing properties. HSRE V completed three new student housing properties in August 2012 for the 2012-2013 academic year. The properties, located in Fayetteville, Arkansas, Laramie, Wyoming, and Stillwater, Oklahoma, contain an aggregate of approximately 1,856 beds and cost approximately \$72.1 million. We own a 10% interest in this venture and affiliates of HSRE own the balance.

*HSRE VI.* In March 2012, we entered into a joint venture with HSRE, HSRE-Campus Crest VI, LLC ("HSRE VI"), to develop and operate additional purpose-built student housing properties. HSRE VI completed three new student housing properties in August 2013 for the 2013-2014 academic year. The properties, located in Norman, Oklahoma, State College, Pennsylvania and Indiana, Pennsylvania, contain an aggregate of approximately 1,784 beds and cost approximately \$80.0 million. We own a 20.0% interest in this venture and affiliates of HSRE own the balance.

In general, we are responsible for the day-to-day management of HSRE IV's, HSRE V's and HSRE VI's business and affairs, provided that major decisions (including deciding to pursue a particular development opportunity) must be approved by us and HSRE. In addition to distributions to which we are entitled as an investor in HSRE IV, HSRE V and HSRE VI, we will receive fees for providing services to HSRE IV, HSRE V and HSRE VI pursuant to development and construction agreements and property management agreements. In general, we will earn development fees equal to approximately 4.0% of the total cost of each property developed by HSRE IV, HSRE V and HSRE VI (excluding the cost of land and financing costs), construction fees equal to approximately 5.0% of the construction costs of each property developed by HSRE IV, HSRE V and HSRE VI and management fees equal to approximately 3.0% of the gross revenues and 3.0% of the net operating income of operating properties held by HSRE IV, HSRE V and HSRE VI. In addition, we will receive a reimbursement of a portion of our overhead relating to each development project at a negotiated rate. Under certain circumstances, we will be responsible for funding the amount by which actual development costs for a project pursued by HSRE IV, HSRE V or HSRE VI exceed the budgeted development costs of such project (without any increase in our interest in the project), which could materially and adversely affect the fee income realized from any such project.

*HSRE IX.* In January 2013, we entered into a joint venture with HSRE and Brandywine, HSRE-Campus Crest IX, LLC ("HSRE IX"), to develop and operate additional purpose-built student housing properties. HSRE IX is currently building one new student housing property, evo at Cira Centre South, with completion targeted for the 2014-2015 academic year. The property, located in the University City submarket of Philadelphia, Pennsylvania, will contain approximately 850 beds and has an estimated cost of approximately \$158.5 million. We own a 30.0% interest in this venture, Brandywine owns 30.0% and affiliates of HSRE own the balance.

In general, we, along with Brandywine, are responsible for the day-to-day management of HSRE IX's business and affairs, provided that major decisions (including deciding to pursue a particular development opportunity) must be approved by us, HSRE, and Brandywine. In addition to distributions to which we are entitled as an investor in HSRE IX, we, along with Brandywine, will receive fees for providing services to HSRE IX pursuant to a development agreement and property management agreement. In general, we, along with Brandywine, will earn development fees equal to approximately 4.0% of the total cost of each property developed by HSRE IX (excluding the cost of land and financing costs) and we will earn management fees equal to approximately 3.0% of the gross revenues and 2.0% of the net operating income of operating properties held by HSRE IX. In addition, we, along with Brandywine, will receive a reimbursement of a portion of our overhead relating to each development project at a negotiated rate. Under

certain circumstances, we, along with Brandywine, will be responsible for funding the amount by which actual development costs for a project pursued by HSRE IX exceed the budgeted development costs of such project (without any increase in our interest in the project), which could materially and adversely affect the fee income realized from any such project.

*HSRE X.* In March 2013, we entered into a joint venture agreement with HSRE, HSRE-Campus Crest X, LLC ("HSRE X"), to develop and operate additional purpose-built student housing properties. HSRE X is developing two new student housing properties with completion targeted for the 2014-2015 academic year. The properties, located in Louisville, Kentucky and Greensboro, North Carolina will contain an aggregate of approximately 1,238 beds and have an estimated cost of approximately \$69.1 million. We own a 30.0% interest in this joint venture and affiliates of HSRE own the balance.



We amended HSRE's right of first opportunity, originally granted with respect to HSRE I, to develop all future student housing development opportunities identified by us that are funded in part with equity investments by parties unaffiliated with us, until such time as affiliates of HSRE have invested an aggregate \$50 million in HSRE IV, HSRE V, HSRE VI, HSRE IX, and HSRE X or caused HSRE IV, HSRE V, HSRE VI, HSRE IX, and HSRE X to decline three development opportunities in any calendar year. As of December 31, 2013, HSRE had funded approximately all of the \$50 million right of first opportunity. The terms of this joint venture do not prohibit us from developing a wholly-owned student housing property for our own account.

### ***Our Relationship With Beaumont***

In July 2013, we entered into a joint venture, DCV Holdings, LP ("DCV Holdings") with Beaumont Partners SA ("Beaumont") to acquire a 711 room, 33-story hotel in downtown Montreal, Quebec, Canada, for approximately \$60.0 million Canadian ("CAD"). The joint venture intends to convert the property into an upscale student housing tower featuring a mix of single and double units serving McGill University, Concordia University and L'Ecole de Technologie.

In December 2013, we and Beaumont formed a holding company, CSH Montreal LP ("CSH Montreal"), and DCV Holdings was subsequently contributed to CSH Montreal LP, such that CSH Montreal LP became the sole limited partner in DCV Holdings. In addition, following the insertion of CSH Montreal LP as the holding company in the joint venture arrangement, CSH Montreal LP acquired ownership of HIM Holdings LP ("HIM Holdings"), an entity formed to facilitate the acquisition of another property in Canada. As of December 31, 2013, we owned a 20.0% interest in DCV Holdings.

On January 15, 2014, through the newly formed HIM Holdings, the joint venture partnership acquired the 488-room, 22-story Holiday Inn Midtown in Montréal, Québec for approximately CAD 65 million. The joint venture intends to convert the property it into an upscale evo student housing tower near McGill University. In connection with the acquisition of the Holiday Inn property, we increased our ownership interest from 20.0% to 35.0% in CSH Montreal, the joint venture that holds the newest evo and the previously announced evo à Square Victoria.

### **Critical Accounting Policies**

Set forth below is a summary of the accounting policies that management believes are critical to the preparation of the consolidated financial statements. Certain of these accounting policies are particularly important for an understanding of the financial position and results of operations presented in the consolidated financial statements set forth elsewhere in this report. These policies require the application of judgment and assumptions by management and, as a result, are subject to a degree of uncertainty. Actual results could differ as a result of such judgment and assumptions.

Our consolidated financial statements include the accounts of all investments, which include joint ventures in which we have a controlling interest and our consolidated subsidiaries. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in our historical consolidated financial statements and related notes. In preparing these financial statements, management has utilized all available information, including its past history, industry standards and the current economic environment, among other factors, in forming its estimates and judgments of certain amounts included in the historical consolidated financial statements, giving due consideration to materiality. Our estimates may not be ultimately realized. Application of the critical accounting policies below involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results may differ from these estimates. In addition, other companies in similar businesses may utilize different estimation policies and methodologies, which may impact the comparability of our results of operations and financial condition to those companies.

### ***Valuation of Investment in Real Estate***

Investment in real estate is recorded at historical cost. Pre-development expenditures include items such as entitlement costs, architectural fees and deposits associated with the pursuit of partially-owned and wholly-owned development projects. These costs are capitalized until such time that management believes it is no longer probable that a contract will be executed and/or construction will commence. Management evaluates the status of projects where we have not yet acquired the target property or where we have not yet commenced construction on a periodic basis and writes off any pre-development costs related to projects whose current status indicates the commencement of construction is not probable. Such write-offs are included within development, construction, and management services in the accompanying consolidated statements of operations.

Management assesses whether there has been impairment in the value of our investment in real estate whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of investment in real estate is assessed by a comparison of the carrying amount of a student housing property to the estimated future undiscounted cash flows expected to be generated by the property. Impairment is recognized when estimated future undiscounted cash flows are less than the carrying value of the property. The estimation of expected future undiscounted cash flows is inherently uncertain and relies on assumptions regarding current and future economics and market conditions. If such conditions change, then an adjustment reducing the carrying value of our long-lived assets could occur in the future period in which conditions change. To the extent that a property is impaired, the excess of the carrying amount of the property over its estimated fair value is charged to operating earnings. Fair value is determined based upon the discounted cash flows of the property, quoted market prices or independent appraisals, as considered necessary.

#### ***Investment in Unconsolidated Entities***

Under the equity method, investments in unconsolidated entities are initially recognized in the balance sheet at cost and are subsequently adjusted to reflect our proportionate share of net earnings or losses of the entity, distributions received, contributions, and certain other adjustments, as appropriate. Any difference between the carrying amount of these investments on our balance sheet and the underlying equity in net assets is amortized as an adjustment to equity in earnings (loss) of unconsolidated entities. When circumstances indicate there may have been a loss in value of an equity method investment, and we determine the loss in value is other than temporary, we recognize an impairment charge to reflect the investment at fair value.

### ***Development, Construction and Management Services***

Development and construction service revenue is recognized using the percentage of completion method, as determined by construction costs incurred relative to total estimated construction costs. Any changes in significant judgments and/or estimates used in determining construction and development revenue could significantly change the timing or amount of construction and development revenue recognized.

Development and construction service revenues are recognized for contracts with entities we do not consolidate. For projects where revenue is based on a fixed price, any cost overruns incurred during construction, as compared to the original budget, will reduce the net profit ultimately recognized on those projects. Profit derived from these projects is eliminated to the extent of our interest in the unconsolidated entity. Any incentive fees, net of the impact of our ownership interest, are recognized when the project is complete and performance has been agreed upon by all parties, or when performance has been verified by an independent third party. When total development or construction costs at completion exceed the fixed price set forth within the related contract, such cost overruns are recorded as additional investment in the unconsolidated entity to the extent these amounts are determined to be realizable. Entitlement fees, where applicable, are recognized when earned based on the terms of the related contract.

### ***Allowance for Doubtful Accounts***

Allowances for student receivables are established when management determines that collections of such receivables are doubtful. Balances are considered past due when payment is not received on the contractual due date. When management has determined receivables are uncollectible, they are written off against the allowance for doubtful accounts.

### ***Fair Value of Financial Instruments***

The carrying value of cash, cash equivalents, restricted cash, student receivables and accounts payable are representative of their respective fair values due to the short-term nature of these instruments. The estimated fair value of our revolving line of credit approximates the outstanding balance due to the frequent market based re-pricing of the underlying variable rate index. The estimated fair values of mortgages and construction loans are determined by comparing current borrowing rates and risk spreads offered in the market to the stated interest rates and spreads on our current mortgages, construction loans, and Exchangeable Senior Notes.

Fair value guidance for financial assets and liabilities that are recognized and disclosed in the consolidated financial statements on a recurring basis and nonfinancial assets on a nonrecurring basis establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1* - Observable inputs, such as quoted prices in active markets at the measurement date for identical, unrestricted assets or liabilities.
- Level 2* - Other inputs that are observable directly or indirectly, such as quoted prices in markets that are not active or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3* - Unobservable inputs for which there is little or no market data and which we make our own assumptions about how market participants would price the asset or liability.

Fair value is defined as the price that would be received when selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). In instances where inputs used to measure fair value fall into different levels of the fair value hierarchy, the level in the fair value hierarchy within which the fair value measurement in its entirety has been determined is based on the lowest level input significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

### ***Income Taxes***

We have made an election to qualify, and believe we are operating so as to qualify, as a REIT under Sections 856 through 859 of the Internal Revenue Code. Our qualification as a REIT depends upon our ability to meet on a continuing basis, through actual investment and operating results, various complex requirements under the Internal Revenue Code relating to, among other things, the sources of our gross income, the composition and values of our assets, our distribution levels and the diversity of ownership of our stock. We believe that we are organized in conformity with the requirements for qualification and taxation as a REIT under the Internal Revenue Code and that our intended manner of operation will enable us to meet the requirements for qualification and taxation as a REIT.

As a REIT, we generally will not be subject to U.S. federal and state income tax on taxable income that we distribute currently to our stockholders. If we fail to qualify as a REIT in any taxable year and do not qualify for certain statutory relief provisions, we will be subject to U.S. federal income tax at regular corporate rates and generally will be precluded from qualifying as a REIT for the subsequent four taxable years following the year during which we lost our REIT qualification. Accordingly, our failure to qualify as a REIT could materially and adversely affect us, including our ability to make distributions to our stockholders in the future.

We have made the election to treat TRS Holdings, our wholly-owned subsidiary as a TRS. TRS Holdings holds our development, construction and management companies that provide services to entities in which we do not own 100% of the equity interests. As a TRS, the operations of TRS Holdings and its subsidiaries are generally subject to federal, state and local income and franchise taxes. Our TRS accounts for its income taxes in accordance with U.S. GAAP, which includes an estimate of the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in our financial statements or tax returns. Deferred tax assets and liabilities of the TRS entities are recognized based on the difference between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates in effect in the years in which those temporary differences are expected to reverse.

We follow a two-step approach for evaluating uncertain tax positions. Recognition (step one) occurs when we conclude that a tax position, based solely on its technical merits, is more-likely-than-not (a likelihood of more than 50 percent) to be sustained upon examination. Measurement (step two) determines the amount of benefit that more-likely-than-not will be realized upon settlement. Derecognition of a tax position that was previously recognized would occur when we subsequently determined that a tax position no longer met the more-likely-than-not threshold of being sustained. The use of a valuation allowance as a substitute for derecognition of tax positions is prohibited.

### ***Property Acquisitions***

We allocate the purchase price of acquired properties to net tangible and identified intangible assets based on relative fair values. Fair value estimates are based on information obtained from independent appraisals, other market data, information obtained during due diligence and information related to the marketing and leasing at the specific property. The value of in-place leases is based on the difference between (i) the property valued with existing in-place leases adjusted to market rental rates and (ii) the property valued "as-if" vacant. As lease terms are typically one year or less, rates on in-place leases generally approximate market rental rates. Factors considered in the valuation of in-place leases include an estimate of the carrying costs during the expected lease-up period considering current market conditions, nature of the tenancy and costs to execute similar leases. Carrying costs include estimates of lost rentals at market rates during the expected lease-up period, net of variable operating expenses. The value of in-place leases is amortized over the remaining initial term of the respective leases, generally less than one year. The purchase price of property acquisitions is not expected to be allocated to tenant relationships, considering the terms of the leases and the expected levels of renewals. Acquisition-related costs such as due diligence, legal and accounting fees are expensed as incurred and not applied in determining the fair value of an acquired property.

### **Changes in Financial Condition**

In January 2013, we entered into the second amended and restated credit agreement (the "Second Amended and Restated Credit Agreement"), which provides for a \$250 million senior unsecured revolving credit facility (the "Revolving Credit Facility"), a \$50 million term loan (the "Term Loan", together with the "Revolving Credit Facility", the "Amended Credit Facility"), and an accordion feature that allows us, under certain circumstances, to request an increase in the total commitments by an additional \$300.0 million, increasing total commitments to \$600.0 million. The Second Amended and Restated Credit Facility will mature in January 2017 and contains a one-year extension option, subject to certain terms and conditions. For additional information regarding the Amended Credit Facility, please refer to "Liquidity and Capital Resources Principal Capital Resources" below.

In March 2013, we completed an underwritten public offering of approximately 25.5 million shares of common stock, including approximately 3.3 million shares issued and sold pursuant to the full exercise of the underwriters' option to purchase additional shares, resulting in net proceeds of approximately \$299.7 million. The net proceeds were used: (1) to fund our investment in the CB Portfolio and related transactional costs, including investment banking advisory fees (see Note 5 to the accompanying consolidated financial statements); and (2) for general corporate purposes, including

the repayment of debt.

In June 2013, we implemented an At-The-Market offering program under which we may sell at market price up to \$100.0 million in shares of our common stock over the term of the program. As of December 31, 2013, we had not issued and sold any shares under this program.

In October 2013, we reopened our Series A Preferred Stock in an underwritten public offering of 3,800,000 shares, including 400,000 shares issued and sold pursuant to the partial exercise of the underwriters' option to purchase additional shares of the Series A Preferred Stock. The shares of Series A Preferred Stock were issued at a public offering price of \$25.0611 per share, for net proceeds of approximately \$91.3 million, after deducting the underwriting discount and other estimated offering expenses of approximately \$4.0 million. We used the net proceeds, as well as the net proceeds from our issuance of Exchangeable Senior Notes (defined below), to repay approximately \$46.8 million of indebtedness outstanding under three construction loans, to repay amounts owed under the Amended Credit Facility and for general corporate purposes.

In October 2013, the Operating Partnership completed a private offering of \$100.0 million of unsecured 4.75% exchangeable senior notes (the "Exchangeable Senior Notes") due October 15, 2018. Interest on the Exchangeable Senior Notes is payable semi-annually on April 15 and October 15, beginning April 15, 2014. Upon exchange of the notes, the Operating Partnership will deliver cash, shares of Campus Crest common stock, or a combination of both at an initial exchange rate of 79.6020 shares per \$1,000 principal amount of Exchangeable Senior Notes (equivalent to an initial exchange price of approximately \$12.56 per share of our common stock). The Exchangeable Senior Notes may not be redeemed prior to the maturity date. At any time prior to July 15, 2018, the Operating Partnership may irrevocably elect, in its sole discretion without the consent of the holders of the notes, to settle all of its future exchange obligation entirely in shares of our common stock. The Exchangeable Senior Notes rank equally in right of payment to all other unsecured debt and are subordinated in right of payment to all secured debt, liabilities, and preferred equity of our subsidiaries.

We used the net proceeds from the reopening of the Series A Preferred Stock and the Exchangeable Senior Notes offerings for the repayment of debt, development funding and working capital purposes.

### **REIT Qualification Requirements**

We have elected to be treated as a REIT under Sections 856 through 859 of the Internal Revenue Code. Our continued qualification as a REIT depends upon our ability to meet on a continuing basis, through actual investment and operating results, various complex requirements under the Internal Revenue Code relating to, among other things, the sources of our gross income, the composition and values of our assets, our distribution levels and the diversity of ownership of our stock. We believe that our intended manner of operation will enable us to meet the requirements for qualification and taxation as a REIT. As a REIT, we generally will not be subject to U.S. federal income tax on taxable income that we distribute currently to our stockholders.

### **Factors Expected to Affect Our Operating Results**

#### ***Unique Leasing Characteristics***

Student housing properties are typically leased by the bed on an individual lease liability basis, unlike multi-family housing where leasing is by the unit. Individual lease liability limits each student-tenant's liability to his or her own rent without liability for a roommate's rent. A parent or guardian is required to execute each lease as a guarantor unless the student-tenant provides adequate proof of income. The number of lease contracts that we administer is therefore equivalent to the number of beds occupied rather than the number of units.

Due to our predominantly private bedroom accommodations, the high level of student-oriented amenities offered at our properties and the individual lease liability for our student-tenants and their parents, we believe that we typically command higher per-unit and per-square foot rental rates than many multi-family properties located in the markets in which we operate. We are also typically able to charge higher rental rates than on-campus student housing, which generally offers fewer amenities.

Unlike traditional multi-family housing, most of our leases commence on the same date. In the case of our typical 11.5-month leases (which provide for 12 equal monthly payments), this date coincides with the commencement of the fall academic term and typically terminates at the completion of the last summer school session. As such, we must re-lease each property in its entirety each year, resulting in significant turnover in our tenant population from year to year. As a result, we are highly dependent upon the effectiveness of our marketing and leasing efforts. As of the start of the fall term for the 2013-2014 and 2012-2013 academic years, we had approximately 41.7% and 41.9%, respectively, of our current tenants renew their lease for the upcoming academic year.

#### ***Development, Construction and Management Services***

The amount and timing of revenues from development, construction and management services will typically be contingent upon the number and size of development projects that we are able to successfully structure and finance in our current and future unconsolidated joint ventures. In particular, we entered into joint ventures HSRE IX, HSRE X, and DCV Holdings that are currently building five student housing properties with completion targeted for the 2014-2015 academic year. We will receive fees for providing development and construction services to HSRE X and receive management fees for managing properties owned by HSRE X once they are placed in service. We will share in the receipt of fees for providing development services to DCV Holdings and receive management fees for managing properties owned by DCV Holdings once they are placed in service. We will share in the receipt of fees for providing development services to HSRE IX and share in the receipt of management fees for managing the property owned by HSRE IX once it is placed in service. No assurance can be given that the aforementioned joint ventures will be successful in developing student housing properties as currently contemplated or those currently under construction.

## **Results of Operations**

### ***Our Business Segments***

Management evaluates operating performance through the analysis of results of operations of two distinct business segments: (i) student housing operations and (ii) development, construction and management services. Management evaluates each segment's performance by reference to net operating income, or NOI, which we define as operating income before depreciation and amortization. The accounting policies of our reportable business segments are described in more detail in the summary of significant accounting policies footnote (Note 2) to our consolidated financial statements. Intercompany fees are reflected at the contractually stipulated amounts, as adjusted to reflect our proportionate ownership of unconsolidated entities.



### ***Student Housing Operations***

Our student housing operations are comprised of rental and other service revenues, such as application fees, pet fees and late payment fees. In August 2013 and September 2013, we opened three wholly-owned properties and an additional three properties that are owned in a real estate ventures in which we have a noncontrolling interest. Due to the continuous opening of new properties in consecutive years and annual lease terms that do not coincide with our reported fiscal (calendar) years, the comparison of our consolidated financial results from period to period may not provide a meaningful measure of our operating performance. For this reason, we divide the results of operations in our student housing operations segment between new property operations and "same-store" operations, which we believe provides a more meaningful indicator of comparative historical performance.

"Same store" properties are our wholly-owned operating properties acquired or placed in-service prior to the beginning of the earliest period presented and owned by us and remaining in service through the end of the latest period presented or period being analyzed. "New properties" are our wholly-owned operating properties that we acquired or placed in service after the beginning of the earliest period presented or period being analyzed.

We monitor NOI of our student housing properties, which is a non-GAAP financial measure. In general terms, we define NOI as student housing rental revenue less student housing operating expenses including real estate taxes related to our properties. We believe this measure provides an operating perspective not immediately apparent from GAAP operating income (loss) or net income (loss). We use NOI to evaluate performance on a community-by-community basis because it allows management to evaluate the impact that factors such as lease structure, lease rates and tenant base, which vary by locality, have on our financial performance. To help make comparisons of NOI between periods more meaningful, we distinguish NOI from our properties that are wholly-owned and that were in service throughout each period presented (that is, our "same store" properties) from NOI from our other wholly-owned properties.

We specifically calculate NOI by adding back to (or subtracting from) net income (loss) attributable to common stockholders the following expenses or charges: income tax expense, other expense, interest expense, equity in loss of unconsolidated entities, depreciation and amortization, ground lease expense, general and administrative expense, development, construction and management services expenses and other non-recurring costs or expenses. The following income or gains are then deducted from net income (loss) attributable to common stockholders, adjusted for add backs of expenses or charges: other income, development, construction and management services revenues and non-recurring income or gains.

NOI excludes multiple components of net income (loss) attributable to common stockholders (computed in accordance with GAAP) and captures neither the changes in the value of our properties that result from use or market conditions nor the level of capital expenditures necessary to maintain the operating performance of our properties, all of which have real economic effects and could materially and adversely impact our results of operations. Therefore, the utility of NOI as a measure of our performance is limited. Additionally, other companies, including other equity REITs, may use different methodologies for calculating NOI and, accordingly, NOI as disclosed by such other companies may not be comparable to NOI published herein. We believe that in order to facilitate a clear understanding of our historical operating results, NOI should be examined in conjunction with net income (loss) as presented in the consolidated financial statements accompanying this report. NOI should not be considered as an alternative to net income (loss) attributable to common stockholders as an indicator of our properties' financial performance or to cash flow from operating activities (computed in accordance with GAAP) as an indicator of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to pay dividends or make distribution.

### ***Development, Construction and Management Services***

*Development and Construction Services.* In addition to our wholly-owned properties, substantially all of which were developed and built by us, we also provide development and construction services to unconsolidated joint ventures in which we have an ownership interest. We act as a general contractor on all of our construction projects. When building properties for our own account (*i.e.*, for entities that are consolidated in our financial statements), construction revenues and expenses are eliminated for accounting purposes and construction costs are ultimately reflected as capital additions. Thus, building properties for our own account does not generate any revenues or expenses in our development, construction and management services segment on a consolidated basis. Alternatively, when performing these services for unconsolidated joint ventures, we recognize construction revenues based on the costs that have been contractually agreed to with the joint venture for the construction of the property and expenses based on the actual costs incurred. Construction revenues are recognized using the percentage of completion method, as determined by construction costs incurred relative to total estimated construction costs, as adjusted to eliminate our proportionate ownership of each entity. Actual construction costs are expensed as incurred and are likewise adjusted to eliminate our proportionate ownership of each entity. Operating income generated by our development and construction activities generally reflects the development fee and construction fee income that is realized by providing these services to unconsolidated joint ventures (*i.e.*, the "spread" between the contractual cost of construction and the actual cost of construction).

*Management Services.* In addition to our wholly-owned properties, all but one of which are managed by us, we also provide management services to unconsolidated joint ventures in which we have an ownership interest. We recognize management fees from these entities as earned in accordance with the property management agreement with these entities, as adjusted to eliminate our proportionate ownership of each entity.

We have set forth a discussion comparing our consolidated results for the year ended December 31, 2013 to the consolidated results of our operations for the year ended December 31, 2012. Additionally, we have set forth a discussion comparing our consolidated results for year ended December 31, 2012 to the consolidated results for the year ended December 31, 2011. The historical results of operations presented below should be reviewed in conjunction with the notes to the consolidated financial statements accompanying this report.

***Comparison of Years Ended December 31, 2013 and December 31, 2012***

As of December 31, 2013, our property portfolio consisted of 31 consolidated operating properties, containing approximately 6,065 apartment units and 16,571 beds, and 38 operating properties held in five unconsolidated joint ventures, containing approximately 7,133 apartment units and 18,909 beds. Four consolidated operating properties have been presented in discontinued operations.

As of December 31, 2012, our property portfolio consisted of 28 consolidated operating properties, containing approximately 5,480 apartment units and 14,920 beds, and seven operating properties held in three unconsolidated joint ventures, containing approximately 1,422 apartment units and 3,948 beds. Four consolidated operating properties have been presented in discontinued operations.

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The following table presents our results of operations for the periods presented, including the amount and percentage change in these results between the periods (in thousands):

	Year Ended December 31, 2013	Year Ended December 31, 2012	Change (\$)	Change (%)	
<b>Revenues:</b>					
Student housing rental	\$ 87,635	\$ 71,211	16,424	23.1	%
Student housing services	3,615	2,880	735	25.5	%
Development, construction and management services	51,069	54,295	(3,226)	-5.9	%
Total revenues	142,319	128,386	13,933	10.9	%
<b>Operating expenses:</b>					
Student housing operations	40,346	32,633	7,713	23.6	%
Development, construction and management services	46,759	50,493	(3,734)	-7.4	%
General and administrative	10,658	8,821	1,837	20.8	%
Transaction costs	1,121	-	1,121	N/A	
Ground leases	249	217	32	14.7	%
Impairment of unconsolidated entity	312	-	312	N/A	
Depreciation and amortization	23,700	20,693	3,007	14.5	%
Total operating expenses	123,145	112,857	10,288	9.1	%
Equity in earnings (loss) of unconsolidated entities	(3,727)	361	(4,088)	-1132.4	%
Operating income	15,447	15,890	(443)	-2.8	%
<b>Nonoperating income (expense):</b>					
Interest expense	(12,969)	(11,545)	(1,424)	12.3	%
Other income (expense)	1,414	(410)	1,824	-444.9	%
Gain on purchase of previously unconsolidated entities	-	6,554	(6,554)	-100.0	%
Total nonoperating expense, net	(11,555)	(5,401)	(6,154)	113.9	%
Net income before income tax (benefit) expense	3,892	10,489	(6,597)	-62.9	%
Income tax benefit (expense)	727	(356)	1,083	-304.2	%
Income from continuing operations	4,619	10,133			
Income (loss) from discontinued operations	(3,001)	665			
Net income	1,618	10,798	(9,180)	-85.0	%
Net income (loss) attributable to noncontrolling interests	(34)	46	(80)	-173.9	%
Dividends on preferred stock	6,183	4,114	2,069	50.3	%
Net income (loss) attributable to common stockholders	\$ (4,531)	\$ 6,638	(11,169)	-168.3	%

***Student Housing Operations***

Revenues in the student housing operations segment (which include student housing rental and student housing service revenues) increased by approximately \$17.2 million and operating expenses in the student housing operations segment increased by approximately \$7.7 million during the year ended December 31, 2013, as compared to the year ended December 31, 2012. The increase in revenues was primarily due to the opening of three new properties in

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August 2012 (The Grove at Auburn, Alabama, The Grove at Flagstaff, Arizona, and The Grove at Orono, Maine), our acquisitions in July 2012 (The Grove at Valdosta, Georgia, and The Grove at Moscow, Idaho), the acquisition of Campus Crest at Toledo, Ohio, in March 2013, the opening of two new properties in August 2013 (The Grove at Muncie, Indiana, and The Grove at Fort Collins, Colorado), the opening of the undamaged portion of a new property in August 2013 (The Grove at Pullman, Washington, see Note 3 to the accompanying consolidated financial statements) and an increase in our monthly revenue per occupied bed at our "same store" properties, offset by a decrease in our occupancy at our "same store" properties. The increase in operating expenses was primarily due to the aforementioned activity.

*New Property Operations.* In August 2012, we began operations at The Grove at Auburn, Alabama, The Grove at Flagstaff, Arizona, and The Grove at Orono, Maine, which contributed approximately \$8.2 million of NOI (\$13.2 million of revenues and \$5.0 million of operating expenses) for the year ended December 31, 2013 compared to \$3.9 million of NOI (\$5.3 million of revenues and \$1.4 million of operating expenses) for the year ended December 31, 2012. In July 2012, we acquired the remaining ownership interests in The Grove at Valdosta, Georgia, and The Grove at Moscow, Idaho, which contributed approximately \$3.4 million of NOI (\$6.0 million of revenues and \$2.6 million of operating expenses) for the year ended December 31, 2013, compared to approximately \$1.7 million of NOI (\$2.9 million of revenues and \$1.2 million of operating expenses) for the year ended December 31, 2012. Prior to the acquisition of these interests, we accounted for our ownership in these properties under the equity method. In March 2013, we acquired Campus Crest at Toledo, Ohio, which contributed approximately \$0.4 million of NOI (\$1.6 million of revenues and \$1.2 million of operating expenses) for the year ended December 31, 2013, compared to no contribution for the year ended December 31, 2012. In August 2013, we began operation at The Grove at Muncie, Indiana, The Grove at Fort Collins, Colorado, The Grove at Flagstaff II, Arizona, and partial operations at The Grove at Pullman, Washington, which contributed, approximately \$3.7 million of NOI (\$4.0 million of revenues and \$0.3 million of operating expenses) for the year ended December 31, 2013, compared to no contribution for the year ended December 31, 2012.

*"Same-Store" Property Operations.* Our 23 "same-store" properties contributed approximately \$35.0 million of NOI for the year ended December 31, 2013, as compared to approximately \$35.9 million of NOI for the year ended December 31, 2012. The decrease in revenue at our "same-store" properties was due a decrease in average occupancy to approximately 91.8% for the year ended December 31, 2013 from approximately 92.4% for the year ended December 31, 2012, partially offset by an increase in average monthly revenue per occupied bed ("RevPOB") to \$508 for the year ended December 31, 2013 from \$501 for the year ended December 31, 2012. The increase in operating expenses was primarily due to increases in property-level payroll and utilities.

The following is a reconciliation of our net income attributable to common stockholders to NOI for the periods presented, including our same store and new properties (in thousands):

	Year Ended December 31, 2013	Year Ended December 31, 2012
Net (loss) income attributable to common stockholders	\$ (4,531)	\$ 6,638
Net (loss) income attributable to noncontrolling interests	(34)	46
Preferred stock dividends	6,183	4,114
Income tax (benefit) expense	(727)	356
Other (income) expense	(1,414)	410
Gain on purchase of previously unconsolidated entities	-	(6,554)
(Income) loss on discontinued operations	3,001	(665)
Impairment of unconsolidated joint venture	312	-
Interest expense	12,969	11,545
Equity in (earnings) loss of unconsolidated entities	3,727	(361)
Depreciation and amortization	23,700	20,693
Ground lease expense	249	217
General and administrative expense	10,658	8,821
Transaction costs	1,121	-
Development, construction and management services expenses	46,759	50,493
Development, construction and management services revenues	(51,069)	(54,295)
Total NOI from Continuing Operations	\$ 50,904	\$ 41,458
Same store properties NOI	\$ 35,046	\$ 35,875
New properties NOI	\$ 14,293	\$ 5,583

Pullman	\$	1,191	\$	-
Toledo	\$	374	\$	-

***Development, Construction and Management Services***

Revenues and operating expenses in the development, construction and management services segment decreased by approximately \$3.2 million and approximately \$3.7 million, respectively, for the year ended December 31, 2013 as compared to the year ended December 31, 2012. Our development, construction and management services segment recognizes revenues and operating expenses for development, construction and management services provided to unconsolidated joint ventures in which we have an ownership interest. We eliminate revenue and related expenses on such transactions with our unconsolidated entities to the extent of our ownership interest. The decreases in development, construction and management services revenue and operating expenses were primarily due to a lower volume of unconsolidated service activity and the scope and timing of those services. For the year ended December 31, 2013, we provided construction and development services for five unconsolidated joint ventures and development-only services for three unconsolidated joint ventures. For the year ended December 31, 2012, we provided construction and development services for six unconsolidated joint ventures. Although we remain in the early stages of the construction cycle for our current round of developments, we believe our current round of developments will be materially in line with our expectations.

***General and Administrative***

General and administrative expenses increased from approximately \$8.8 million for the year ended December 31, 2012 to approximately \$10.6 million for the year ended December 31, 2013. The \$1.8 million increase was primarily due to an increase in the number of full-time employees and travel expenses resulting from our growth.

***Transaction Costs***

We recognized approximately \$1.0 million in transaction costs related to the CB Portfolio Acquisition and approximately \$0.1 million in transaction costs and travel related to the acquisition of the Toledo, Ohio property for the year ended December 31, 2013. See Note 5 to the accompanying consolidated financial statements.

We capitalized approximately \$16.9 million of direct, incremental costs related to the CB Portfolio Acquisition into the basis of our investment for the year ended December 31, 2013.

***Impairment of Unconsolidated Joint Venture***

We recognized an impairment of approximately \$0.3 million in our investment in The Grove at Denton due to the difference between our purchase price in the acquisition of our remaining ownership interests in that joint venture as compared to its carrying value. See Note 18 to the accompanying consolidated financial statements.

***Depreciation and Amortization***

Depreciation and amortization expense increased from approximately \$20.7 million for the year ended December 31, 2012 to approximately \$23.7 million for the year ended December 31, 2013. This increase was primarily due to the increase in the number of operating properties.

***Equity in Earnings (Loss) of Unconsolidated Entities***

Equity in earnings (loss) of unconsolidated entities, which represents our share of the net income (loss) from entities in which we have a noncontrolling interest, decreased from a gain of approximately \$0.4 million for the year ended December 31, 2012 to a loss of approximately (\$3.7) million for the year ended December 31, 2013 primarily due to the CB Portfolio Acquisition and associated depreciation and amortization. See Note 5 to the accompanying consolidated financial statements.

***Interest Expense***

Interest expense increased approximately \$1.4 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012 primarily due to an increase in average outstanding indebtedness, partially offset by a lower interest rate on our Revolving Credit Facility in 2013 and the write-off of approximately \$1.0 million of deferred financing costs for the year ended December 31, 2012.

***Other Income/(Expense)***

In connection with the CB Portfolio Acquisition, we recognized \$1.4 million of income for the year ended December 31, 2013, resulting from interest earned on our \$31.7 million notes receivable from the CB Investors. See Note 5 to the accompanying consolidated financial statements.

***Income Tax (Benefit) Expense***

Income tax (benefit) expense for the year ended December 31, 2013, was a \$0.7 million benefit as compared to a \$0.4 million expense for the year ended December 31, 2012 primarily due to the recognition of current and deferred tax credits related to solar panels owned by our TRS entities. See Note 4 in the accompany consolidated financial statements.

***Income (Loss) from Discontinued Operations***



For the year ending December 31, 2013, we recorded an impairment of approximately \$4.7 million in connection with the sale of four wholly-owned properties: The Grove at Jacksonville, Alabama, The Grove at Jonesboro, Arkansas, The Grove at Wichita, Kansas, and The Grove at Wichita Falls, Texas and classified their results of operations within discontinued operations in the consolidated statements of operations and comprehensive income (loss). There was no such disposition during the year ending December 31, 2012.

***Dividends on Preferred Stock***

Dividends on preferred stock increased to approximately \$6.2 million for the year ended December 31, 2013, compared to \$4.1 million for the year ended December 31, 2012, primarily due to an increase in the average number of shares of preferred stock outstanding in 2013. In October 2013, we reopened our Series A Preferred Stock in an underwritten public offering of 3,800,000 shares of preferred stock. See Note 12 in the accompanying consolidated financial statements.

### ***Cash Flows***

Net cash provided by operating activities was approximately \$14.4 million for the year ended December 31, 2013 as compared to approximately \$29.5 million for the year ended December 31, 2012, a decrease of approximately \$15.1 million. Net income adjusted for non-cash items provided approximately \$46.2 million for the year ended December 31, 2013 as compared to approximately \$34.4 million for the year ended December 31, 2012, an increase of approximately \$11.8 million. This increase is due to the addition of properties placed into service in 2013 and 2012 as well as non-cash equity in loss from the CB Portfolio results of operations. Approximately \$31.8 million was used by working capital purposes for the year ended December 31, 2013 as compared to approximately \$4.9 million used by working capital accounts for the year ended December 31, 2012, an increase of approximately \$26.9 million. The increase was primarily due to the timing of construction billings and vendor payments.

Net cash used in investing activities totaled approximately \$489.7 million for the year ended December 31, 2013 as compared to net cash used of approximately \$133.1 million for the year ended December 31, 2012, an increase of approximately \$356.6 million. This increase was primarily due to the CB Portfolio Acquisition as well as the property acquisitions in Toledo, Ohio and Montreal, Quebec, Canada. See Note 5 to the accompanying consolidated financial statements.

Net cash provided by financing activities totaled approximately \$501.4 million for the year ended December 31, 2013 as compared to net cash provided of approximately \$98.8 million for the year ended December 31, 2012, an increase of approximately \$402.6 million. For the year ended December 31, 2013, we received net proceeds of approximately \$299.7 million from our common stock offering, which was used to fund the CB Portfolio Acquisition and net proceeds of \$91.3 million and \$100.0 million from our issuance of Series A Preferred Stock and Exchangeable Senior Notes, respectively, which were used in the repayment of debt, development funding and working capital purposes, offset by dividend payments on higher average shares during 2013 as compared to 2012.

### ***Comparison of Years Ended December 31, 2012 and December 31, 2011***

As of December 31, 2012, our property portfolio consisted of 28 consolidated operating properties, containing approximately 5,480 apartment units and 14,920 beds, and seven operating properties held in three unconsolidated joint ventures, containing approximately 1,422 apartment units and 3,948 beds. Four consolidated operating properties have been presented in discontinued operations.

As of December 31, 2011, our property portfolio consisted of 23 consolidated operating properties, containing approximately 4,388 apartment units and 11,868 beds, and six operating properties held in two unconsolidated joint ventures, containing approximately 1,168 apartment units and 3,180 beds. Four consolidated operating properties have been presented in discontinued operations.

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The following table presents our results of operations for the periods presented, including the amount and percentage change in these results between the periods (in thousands):

	Year Ended December 31, 2012	Year Ended December 31, 2011	Change (\$)	Change (%)	
<b>Revenues:</b>					
Student housing rental	\$ 71,211	\$ 49,048	22,163	45.2	%
Student housing services	2,880	2,062	818	39.7	%
Development, construction and management services	54,295	35,084	19,211	54.8	%
Total revenues	128,386	86,194	42,192	49.0	%
<b>Operating expenses:</b>					
Student housing operations	32,633	23,316	9,317	40.0	%
Development, construction and management services	50,493	31,051	19,442	62.6	%
General and administrative	8,821	6,749	2,072	30.7	%
Ground leases	217	209	8	3.8	%
Depreciation and amortization	20,693	16,524	4,169	25.2	%
Total operating expenses	112,857	77,849	35,008	45.0	%
Equity in earnings (loss) of unconsolidated entities	361	(1,164)	1,525	N/A	
Operating income	15,890	7,181	8,709	121.3	%
<b>Nonoperating income (expense):</b>					
Interest expense	(11,545)	(6,888)	(4,657)	67.6	%
Other income (expense)	(410)	720	(1,130)	-156.9	%
Gain on purchase of previously unconsolidated interests	6,554	3,159	3,395	107.5	%
Total nonoperating expense, net	(5,401)	(3,009)	(2,392)	79.5	%
Net income before income tax expense	10,489	4,172	6,317	151.4	%
Income tax expense	(356)	(464)	108	-23.3	%
Income from continuing operations	10,133	3,708			
Income from discontinued operations	665	73			
Net income	10,798	3,781	7,017	185.6	%
Net income attributable to noncontrolling interests	46	51	(5)	-9.8	%
Dividends on preferred stock	4,114	-	4,114	N/A	
Net income attributable to common stockholders	\$ 6,638	\$ 3,730	2,908	78.0	%

***Student Housing Operations***

Revenues in the student housing operations segment (which include student housing rental and student housing service revenues) increased by approximately \$23.0 million and operating expenses in the student housing operations segment increased by approximately \$9.3 million, in 2012 as compared to 2011. The increase in revenues was primarily due to the opening of three new properties in August 2012, the acquisitions of The Grove at Valdosta, Georgia, and The Grove at Moscow, Idaho, in July 2012, the acquisitions of The Grove at Huntsville, Texas, and The Grove at Statesboro, Georgia, in December 2011, the inclusion of operating results for our August 2011 deliveries for a full calendar year in 2012 as well as increases in occupancy and monthly revenue per bed at our "same store"

properties. The increase in operating expenses was primarily due to the aforementioned activity as well as an increase in "same store" property-level payroll and taxes, which was partially offset by a decrease in "same store" property-level utilities and in general office expenses.

*New Property Operations.* In August 2012, we began operations at The Grove at Auburn, Alabama, The Grove at Flagstaff, Arizona, and The Grove at Orono, Maine, which contributed approximately \$3.9 million in NOI for the year ended December 31, 2012 compared to no contribution for the year ended December 31, 2011. In July 2012, we acquired the remaining ownership interests in The Grove at Valdosta and The Grove at Moscow which contributed approximately \$1.7 million of NOI for the year ended December 31, 2012, compared to no contribution for the year ended December 31, 2011. Prior to the acquisition of these interests, we accounted for our ownership in this property under the equity method. In December 2011, we acquired the remaining ownership interests in The Grove at Huntsville, Texas, and The Grove at Statesboro, Georgia, which contributed approximately \$3.0 million of NOI for the year ended December 31, 2012, as compared to an immaterial amount of NOI for the year ended December 31, 2011. Prior to the acquisition of these interests, we accounted for our ownership in this property under the equity method. In August 2011, we began operations at The Grove at Ames, Iowa, The Grove at Clarksville, Tennessee, The Grove at Columbia, Missouri, and The Grove at Fort Wayne, Indiana, which contributed approximately \$6.3 million in NOI for the year ended December 31, 2012, as compared to approximately \$3.0 million in NOI for the year ended December 31, 2011.

*"Same-Store" Property Operations.* Our 17 "same-store" properties contributed approximately \$26.5 million of NOI for the year ended December 31, 2012, as compared to approximately \$24.8 million of NOI for the year ended December 31, 2011. The increase in revenue at our "same-store" properties was due to an increase in the average occupancy to approximately 93.7% for the year ended December 31, 2012 from approximately 92.0% for the year ended December 31, 2011 and an increase in average monthly revenue per occupied bed ("RevPOB") to \$501 for the year ended December 31, 2012 from \$493 for the year ended December 31, 2011. The increase in operating expenses was primarily due to property-level payroll and taxes which was partially offset by decreases in same store property-level utilities and general office expenses.

The following is a reconciliation of our net income (loss) attributable to common stockholders to NOI for the periods presented, including our same store and new properties (in thousands):

	Year Ended December 31, 2012	Year Ended December 31, 2011
Net (loss) income attributable to common stockholders	\$ 6,638	\$ 3,730
Net (loss) income attributable to noncontrolling interests	46	51
Preferred stock dividends	4,114	-
Income tax expense	356	464
Other (income) expense	410	(720)
Gain on purchase of previously unconsolidated entities	(6,554)	(3,159)
Income from discontinued operations	(665)	(73)
Interest expense	11,545	6,888
Equity in (earnings) loss of unconsolidated entities	(361)	1,164
Depreciation and amortization	20,693	16,524
Ground lease expense	217	209
General and administrative expense	8,821	6,749
Development, construction and management services expenses	50,493	31,051
Development, construction and management services revenues	(54,295)	(35,084)
Total NOI from Continuing Operations	\$ 41,458	\$ 27,794
Same store properties NOI	\$ 26,528	\$ 24,824
New properties NOI	\$ 14,930	\$ 2,970

#### ***Development, Construction and Management Services***

Revenues and operating expenses in the development, construction and management services segment increased by approximately \$19.2 million and approximately \$19.4 million, respectively, for the year ended December 31, 2012 as compared to the year ended December 31, 2011. Our development, construction and management services segment recognizes revenues and operating expenses for development, construction and management services provided to unconsolidated joint ventures in which we have an ownership interest. We eliminate revenue and related expenses on such transactions with our unconsolidated entities to the extent of our ownership interest. The increases in development, construction and management services revenue and operating expenses were primarily due to a higher volume of unconsolidated service activity and the timing of that service activity. During the year ended December 31, 2012, we completed construction on three joint venture projects for which we had a 10% ownership interest and began construction on three additional joint venture projects for which we had a 20% ownership interest. During the year ended December 31, 2011, we completed construction on two joint venture projects for which we had a 20% ownership interest and began construction on three additional joint venture projects for which we had a 10% ownership interest.

#### ***General and Administrative***

General and administrative expenses increased from approximately \$6.8 million for the year ended December 31, 2011 to approximately \$8.8 million for the year ended December 31, 2012. The \$2.0 million increase was primarily due to an increase in the number of employees and travel expenses resulting from our growth.

***Depreciation and Amortization***

Depreciation and amortization expense increased from approximately \$16.5 million for the year ended December 31, 2011 to approximately \$20.7 million for the year ended December 31, 2012. This increase was primarily due to the increase in the number of operating properties.

***Equity in Earnings (Loss) of Unconsolidated Entities***

Equity in earnings (loss) of unconsolidated entities increased to a gain of approximately \$0.4 million for the year ended December 31, 2012 from a loss of approximately \$1.2 million for the year ended December 31, 2011. This increase was primarily due to the addition of three unconsolidated properties commencing operations in August 2012 and two unconsolidated properties commencing operations in August 2011, partially offset by our acquisition of the remaining ownership interests in The Grove at Valdosta, Georgia, and The Grove at Moscow, Idaho, in July 2012 and The Grove at Huntsville, Texas, and The Grove at Statesboro, Georgia, in December 2011. The increase was also due to refinancing initiatives during the fourth quarter of 2011 that resulted in a decrease in interest expense and an increase in return on our preferred investments.

### ***Interest Expense***

Interest expense increased approximately \$4.6 million to approximately \$11.5 million for the year ended December 31, 2012 as compared to approximately \$6.9 million for the year ended December 31, 2011. This increase was primarily due to an increase in outstanding indebtedness during 2012 as compared to 2011 resulting from an increase in the number of operating properties as well as an increase in write-offs of deferred financing costs due to refinancing activities.

### ***Other Income/(Expense)***

Other income/(expense) decreased approximately \$1.1 million from a gain of approximately \$0.7 million for the year ended December 31, 2011 to a loss of approximately \$0.4 million for the year ended December 31, 2012. This decrease was primarily due to interest income earned in 2011 on cash balances, which was not earned in 2012, as well as a decrease in the fair value of interest rate derivatives decreased to a loss of approximately \$0.2 million for the year ended December 31, 2012 as compared to a gain of approximately \$0.3 million for the year ended December 31, 2011. This decrease was primarily due to a decrease in non-cash mark-to-market adjustments of approximately \$0.3 million combined with an increase in monthly net cash settlements of approximately \$0.2 million.

### ***Gain on Purchase of Previously Unconsolidated Interests***

The gain on purchase of previously unconsolidated interests for the year ended December 31, 2012 was due to our acquisition of the remaining ownership interests in The Grove at Valdosta, Georgia, and The Grove at Moscow, Idaho, and our associated remeasurement of those interests. The gain for the year ended December 31, 2011 was due to our acquisition of the remaining ownership interests in The Grove at Huntsville, Texas, and The Grove at Statesboro, Georgia, and our associated remeasurement of those interests.

### ***Income Tax Expense***

Income tax expense in 2012 was relatively unchanged compared to 2011 at approximately \$0.4 million and approximately \$0.5 million, respectively, due to comparable levels in service activity by our TRSs. We managed seven unconsolidated joint venture properties during 2012 as compared to nine unconsolidated joint venture properties during the same period in the prior year.

### ***Cash Flows***

Net cash provided by operating activities was approximately \$29.5 million for the year ended December 31, 2012 as compared to approximately \$22.8 million for the year ended December 31, 2011, an increase of approximately \$6.7 million. Approximately \$4.9 million was used by working capital purposes for the year ended December 31, 2012 as compared to approximately \$2.0 million used by working capital accounts for the year ended December 31, 2011, an increase of approximately \$2.9 million. The increase in net cash provided by operating activities was primarily due to the payments into restricted cash accounts required by our lenders and an increase in construction related receivables, partially offset by an increase in outstanding accounts payable and accrued expenses. We also added three wholly-owned and three joint venture properties for the year ended December 31, 2012 along with receiving a full year benefit of the four wholly-owned and two joint venture deliveries from 2011. We also acquired two joint venture properties in December 2011 and two additional joint venture properties in July 2012. These factors, along with increased occupancy at our existing properties contributed to the increase net cash provided by operating activities.

Net cash used in investing activities totaled approximately \$133.1 million for the year ended December 31, 2012 as compared to net cash used of approximately \$126.9 million for the year ended December 31, 2011, an increase of approximately \$6.2 million. This increase was primarily due to expenditures on development projects, contributions to

joint ventures and the acquisition of The Grove at Valdosta and The Grove at Moscow during 2012.

Net cash provided by financing activities totaled approximately \$98.8 million for the year ended December 31, 2012 as compared to net cash provided of approximately \$112.6 million for the year ended December 31, 2011, a decrease of approximately \$13.8 million. This decrease was primarily due to an increase in net financing activity resulting from increased draws and the repayment of our line of credit, mortgage and construction notes, partially offset by the proceeds from the sale of preferred and common stock.

### **Liquidity and Capital Resources**

Our capital resources include accessing the public debt and equity markets, when available, mortgage and construction loan financing and immediate access to the Amended Credit Facility (discussed below).



As a REIT, we generally must distribute annually at least 90% of our REIT taxable income, excluding any net capital gain, in order for corporate income tax not to apply to earnings that we distribute. To the extent that we satisfy this distribution requirement, but distribute less than 100% of our REIT taxable income, we will be subject to U.S. federal corporate income tax on our undistributed taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we distribute to our stockholders in a calendar year is less than a minimum amount specified under U.S. federal income tax laws. We intend to make distributions to our stockholders to comply with the requirements of the Internal Revenue Code and to avoid paying corporate tax on undistributed income. Additionally, we intend to make distributions that exceed these requirements. We may need to obtain financing to meet our distribution requirements because:

- our income may not be matched by our related expenses at the time the income is considered received for purposes of determining taxable income; and
- non-deductible capital expenditures, creation of reserves or debt service requirements may reduce available cash but not taxable income.

In these circumstances, we may be forced to obtain third-party financing on terms we might otherwise find unfavorable, and we cannot provide assurance that we will be able to obtain such financing. Alternatively, if we are unable or unwilling to obtain third-party financing on the available terms, we could choose to pay a portion of our distributions in stock instead of cash, or we may fund distributions through asset sales.

### ***Principal Capital Resources***

In January 2013, we entered into the Second Amended and Restated Credit Agreement, which provides for a \$250 million senior unsecured Revolving Credit Facility, a \$50 million term loan, and an accordion feature that, under certain circumstances, allows us to request an increase in the total commitments by an additional \$300.0 million, increasing total commitments to \$600.0 million. The Second Amended and Restated Credit Facility will mature in January 2017 and contains a one-year extension option, subject to certain terms and conditions.

As of December 31, 2013, we had approximately \$58.5 million outstanding under our Revolving Credit Facility and \$50 million outstanding under the Term Loan. The amounts outstanding under our Revolving Credit Facility and Term Loan, as well as outstanding letters of credit, will reduce the amount that we may be able to borrow under this facility for other purposes. As of December 31, 2013, we had approximately \$154.1 million in borrowing capacity under our revolving credit facility, and amounts borrowed under the facility will be due at its maturity in January 2017, subject to a one-year extension, which we may exercise at our option, subject to the satisfaction of certain terms and conditions, including the payment of an extension fee. The amount available for us to borrow under the Amended Credit Facility is based on the sum of (a) the lesser of (i) 60.0% of the "as-is" appraised value of our properties that form the borrowing base of the Amended Credit Facility and (ii) the amount that would create a debt service coverage ratio of not less than 1.5, and (b) 50% of the aggregate of the lesser of (i) the book value of each of our development assets (as such term is defined in the Second Amended and Restated Credit Agreement) and (ii) the "as-is" appraised value of each of our development assets, subject to certain limitations in the Second Amended and Restated Credit Agreement.

We incur an unused fee on the balance between the amount available under the Revolving Credit Facility and the amount outstanding under the Revolving Credit Facility (i) of 0.30% per annum if our average borrowing is less than 50.0% of the total amount available or (ii) 0.25% per annum if our average borrowing is greater than 50.0% of the total amount available.

Additionally, the Amended Credit Facility has an accordion feature that allows us to request an increase in the total commitments from \$300.0 million to \$600.0 million, subject to conditions. Amounts outstanding under the Amended Credit Facility bear interest at a floating rate equal to, at our election, the Eurodollar Rate or the Base Rate (each as

defined in the Second Amended and Restated Credit Agreement) plus a spread that depends upon our leverage ratio. The spread for borrowings under the Revolving Credit Facility ranges from 1.75% to 2.50% for Eurodollar Rate based borrowings and from 0.75% to 1.50% for Base Rate based borrowings, and the spread for the Term Loan ranges from 1.70% to 2.45% for Eurodollar Rate based borrowings and from 0.70% to 1.45% for Base Rate based borrowings.

Our ability to borrow under the Amended Credit Facility is subject to its ongoing compliance with a number of customary financial covenants, including:

- a maximum leverage ratio of not greater than 0.60:1.00;
- a minimum fixed charge coverage ratio of not less than 1.50:1.00;
- a minimum ratio of fixed rate debt and debt subject to hedge agreements to total debt of not less than 66.67%;
- a maximum secured recourse debt ratio of not greater than 20.0%;
- a minimum tangible net worth of not less than the sum of \$330,788,250 plus an amount equal to 75.0% of the net proceeds of any additional equity issuances; and
- a maximum secured debt ratio of not greater than 50% through February 17, 2013 and not greater than 45.0% on any date thereafter.

Pursuant to the terms of the Amended Credit Facility, we may not pay distributions that exceed the greater of (i) 95.0% of our funds from operations, or (ii) the minimum amount required for us to qualify and maintain our status as a REIT. If a default or event of default occurs and is continuing, we also may be precluded from making certain distributions (other than those required to allow us to qualify and maintain our status as a REIT). In April 2013, as a result of the CB Portfolio Acquisition, we received a waiver from our lender group allowing for distributions up to 110.0% of our funds from operations for the remainder of 2013.

In February 2013, we amended the Amended Credit Facility to provide for certain exclusions related to our investments in joint ventures as well as the treatment of certain other investments within the compliance calculation of our secured debt ration and certain negative covenants.

We and certain of our subsidiaries guarantee the obligations under the Amended Credit Facility and we and certain of our subsidiaries have provided a negative pledge against specified assets (including real property), stock and other interests.

In June 2013, in connection with our investment in a joint venture with Beaumont to acquire a property in Montreal, Quebec, Canada, we received a waiver from our lender group allowing us to guarantee debt incurred by our subsidiary, Campus Crest at Montreal I, LLC, to fund such investment.

As of December 31, 2013, we were in compliance with the above financial covenants with respect to our Amended Credit Facility.

In February 2012, we completed an underwritten public offering of approximately 2.3 million shares of our Series A Preferred Stock, including approximately 0.3 million shares issued and sold pursuant to the exercise of the underwriters' overallotment option in full (see Note 13 in the accompanying consolidated financial statements).

In July 2012, we issued approximately 7.5 million shares of common stock, including the full exercise of the underwriters' option to purchase additional shares (see Note 13 in the accompanying consolidated financial statements).

In March 2013, we completed an underwritten public offering of approximately 25.5 million shares of common stock, including the full exercise of the underwriters' option to purchase additional shares (see Note 13 in the accompanying consolidated financial statements).

In October 2013, we reopened our Series A Preferred Stock in an underwritten public offering of approximately 3.8 million shares, including approximately 0.4 million shares issued and sold pursuant to the exercise of the underwriters' option to purchase additional shares of the Series A Preferred Stock (see Note 13 in the accompanying consolidated financial statements).

In October 2013, we issued \$100.0 million of Exchangeable Senior Notes due October 15, 2018 (see Note 8 in the accompanying consolidated financial statements).

### ***Short-Term Liquidity Needs***

We believe that we will have sufficient capital resources as a result of operations and the borrowings in place to fund ongoing operations and distributions required to maintain REIT compliance. We anticipate using our cash flow from continuing operations, cash and cash equivalents, and Amended Credit Facility availability to fund our business operations, cash dividends and distributions, debt amortization, and recurring capital expenditures. Capital requirements for significant acquisitions and development projects may require funding from borrowings and/or equity offerings.

### ***Recurring Capital Expenditures***

Our properties require periodic investments of capital for general maintenance. These recurring capital expenditures vary in size annually based upon the nature of the maintenance required for that time period. For example, recently developed properties typically do not require major maintenance such as the replacement of a roof. In addition, capital expenditures associated with newly acquired or developed properties are capitalized as part of their acquisition price

or development budget, so that such properties typically begin to require recurring capital expenditures only following their first year of ownership.

Our historical recurring capital expenditures at our consolidated properties are set forth below (in thousands, except Average Per Bed amount):

	Year Ended December 31,		
	2013	2012	2011
Investment in wholly-owned developments	\$ 126,242	\$ 104,051	\$ 107,328
Acquisition of previously unconsolidated entities	\$ 13,801	\$ 15,352	\$ 13,510
Capital improvements	13,898	5,700	2,902
Recurring capital expenditures	2,027	1,416	905
Investment in operating properties	\$ 29,726	\$ 22,468	\$ 17,317
Total Beds as of January 1 <sup>(1)</sup>	16,936	13,884	10,528
Average Recurring CapEx Per Bed	\$ 120	\$ 102	\$ 86

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<sup>(1)</sup> Total number of beds as of January 1 of the year indicated, excluding beds at consolidated properties that commenced operations during the year indicated, as they did not require material recurring capital expenditures.

We invested approximately \$126.2 million, \$104.0 million and \$107.3 million in wholly-owned developments for the years ended December 31, 2013, 2012, and 2011, respectively. In 2013, we completed construction on three development projects and began construction on another four projects targeted for completion in the third quarter of 2014. In 2012, we completed construction on three development projects and began construction on another three projects targeted for completion in the third quarter of 2013. In 2011, we completed construction on four development projects and began construction on another three projects targeted for completion in the third quarter of 2012. Our scope and number of projects under construction will be contingent upon our access to capital among other factors.

We invested approximately \$29.7 million, \$22.5 million and \$17.3 million in our operating properties for the years ended December 31, 2013, 2012, and 2011, respectively. Capital improvements at our wholly-owned properties include betterments to buildings, clubhouse renovations, parking lots, solar panel installations and other capital improvements. We expect our capital improvements to increase over time as our portfolio expands as well as our average recurring capital expenditures per bed to increase as our portfolio ages.

### ***Development Expenditures***

Our development activities have historically required us to fund pre-development expenditures such as architectural fees, engineering fees and earnest deposits. Because the closing of a development project's financing is often subject to various delays, we cannot always predict accurately the liquidity needs of these activities. We frequently incur these pre-development expenditures before a financing commitment has been obtained and, accordingly, bear the risk of the loss of these pre-development expenditures if financing cannot ultimately be arranged on acceptable terms.

We are building six new student housing properties, four of which are wholly-owned by us and two of which are owned by HSRE X, a joint venture that we established with HSRE, and in which we own a 30% interest. We are currently targeting completion of these six properties for the 2014-2015 academic year. For each of these projects, we commenced construction subsequent to conducting significant pre-development activities. We estimate that the cost to complete all four wholly-owned properties will be approximately \$123.6 million. Additionally, we will be obligated to fund our pro rata portion of the development costs of our joint venture with HSRE, and we estimate that the cost to complete the two joint venture properties will be approximately \$69.1 million and our net pro rata share of equity will be approximately \$20.7 million. No assurance can be given that we will complete construction of these six properties in accordance with our current expectations (including the estimated cost thereof). During 2013, we closed on the financing necessary for our six 2014-2015 development projects. We intend to finance our share of the remaining construction costs through the Revolving Credit Facility.

We are also building one new student housing property that is owned by HSRE IX, a joint venture that we established with HSRE and Brandywine, in which we own a 30% interest. We are currently targeting completion of this property for the 2014-2015 academic year. We estimate the cost to complete this joint venture property to be approximately \$158.5 million and our net pro rata share of equity will be approximately \$47.6 million. No assurance can be given that we will complete construction of this property in accordance with our current expectations (including the estimated cost thereof). During January 2013, we closed on the financing necessary for this development project. We intend to finance our share of the construction costs through the Revolving Credit Facility.

We are also redeveloping one new student housing property that is owned by DCV Holdings, a joint venture that we established with Beaumont in which we own a 20% interest. We currently expect this property to be completed prior to the 2014-2015 academic year. We estimate the cost to complete this joint venture property will be \$88.2 million and our net pro rata share of equity will be approximately \$30.9 million. No assurance can be given that we will complete construction on this property in accordance with our current expectations (including the estimated cost thereof). The joint venture closed on financing for this project and an additional redevelopment project in January 2014 (See Note 18). We are the guarantor of this financing. We intend to finance our share of the construction costs

through the Revolving Credit Facility.

Copper Beech is also building one new student housing property in which our interest will be commensurate with the remainder of the CB portfolio. We currently expect this property to be completed prior to the 2014-2015 academic year. The estimated cost to complete this joint venture property will be approximately \$33.6 million and our net pro rata share of equity will be \$22.5 million. No assurance can be given that we will complete construction on this property in accordance with our current expectations (including the estimated cost thereof). We intend to finance our share of the construction costs through the Revolving Credit Facility.

In July 2013, we experienced a fire at The Grove at Pullman, Washington, a property under construction (see Note 3 in the accompanying consolidated financial statements). We do not believe the fire at The Grove at Pullman, Washington, will have an adverse effect on our short or long-term liquidity needs due to insurance recoveries.

### ***Long-Term Liquidity Needs***

Our long-term liquidity needs consist primarily of funds necessary to pay for long-term development activities, non-recurring capital expenditures, potential acquisitions of properties and payments of debt at maturity. Long-term liquidity needs may also include the payment of unexpected contingencies, such as remediation of unknown environmental conditions at our properties or at additional properties that we develop or acquire, or renovations necessary to comply with the ADA or other regulatory requirements. We do not expect that we will have sufficient funds on hand to cover all of our long-term liquidity needs. We will therefore seek to satisfy these needs through cash flow from operations, additional long-term secured and unsecured debt, including borrowings under our Revolving Credit Facility, the issuance of debt securities, the issuance of equity securities and equity-related securities (including OP units), property dispositions and joint venture transactions. We believe that we will have access to these sources of capital to fund our long-term liquidity requirements, but we cannot make any assurance that this will be the case, especially in difficult market conditions.

**Commitments**

The following table summarizes our contractual commitments as of December 31, 2013 (including future interest payments) (in thousands):

Contractual Obligations	Total	2014	2015-2016	2017-2018	Thereafter
Long-Term Debt Obligations	\$ 416,724	\$ 2,437	\$ 88,729	\$ 271,038	\$ 54,520
Interest Payments on Outstanding Debt Obligations	51,300	12,134	22,168	8,727	8,271
Operating Lease Obligations	34,611	1,237	2,597	2,629	28,148
Purchase Obligations <sup>(1)</sup>	73,200	72,299	901	-	-
Total <sup>(2)</sup>	\$ 575,835	\$ 88,107	\$ 114,395	\$ 282,394	\$ 90,939

<sup>(1)</sup> Obligations relate to subcontracts executed by Campus Crest Construction to complete projects under construction at December 31, 2013.

Excludes joint venture debt of approximately \$32.7 million due to mature in January 2014 (in February 2014, we extended the maturity date to February 2015), of which we are a 49.9% owner, approximately \$1.0 million that matures in July 2016, of which we are a 30% owner, approximately \$16.8 million and \$33.0 million that matures between March 2014 and December 2015, of which we are a 20.0% owner, and approximately \$49.1 million that matures between December 2014 and January 2015, of which we are a 10.0% owner. We are the guarantor of these loans.

**Long-Term Indebtedness Outstanding**

See Note 8 in the accompanying consolidated financial statements for our outstanding consolidated indebtedness.

The weighted average annual interest rate on our total long-term indebtedness as of December 31, 2013 was approximately 4.23%. At December 31, 2013, our ratio of debt to total market capitalization was approximately 40.5%, excluding indebtedness encumbering our current and future joint venture properties. However, we expect to incur additional indebtedness, consistent with our financing policy, in connection with our development activities.

At December 31, 2013, after receipt of waivers, we were in compliance with all financial covenants with respect to our Amended Credit Facility.

**Off-Balance Sheet Arrangements****Joint Ventures**

We have investments in real estate ventures with CB Investors, HSRE, Brandywine and Beaumont which are not consolidated by us. These joint ventures are engaged primarily in developing, constructing, owning and managing student housing properties in the United States and Canada. Along with the joint venture partners, we hold joint approval rights for major decisions, including those regarding property acquisition and disposition as well as property operations. As such, we hold noncontrolling interests in these joint ventures and account for them under the equity method of accounting.

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We are the guarantor of the construction and mortgage debt of our ventures with HSRE and Beaumont. Detail of our unconsolidated investments at December 31, 2013 is presented in the following table (in thousands):

Unconsolidated Entities	Our Ownership	Year Founded	Number of Properties		Our Total Investment	Debt		Weighted Average Interest Rate	Maturity Date / Range
			In Operation	Under Development		Amount Outstanding	Rate		
HSRE-Campus Crest I, LLC	49.9 %	2009	3	-	\$ 10,584	\$ 32,704	2.67 % (1)	2/9/2015	
HSRE-Campus Crest IV, LLC	20.0 %	2011	1	-	1,915	16,839	5.75 % (2)	3/1/2014	
HSRE-Campus Crest V, LLC	10.0 %	2011	3	-	3,990	49,058	2.88 % (1)	12/20/2014	01/01/2015
HSRE-Campus Crest VI, LLC	20.0 %	2012	3	-	13,562	32,998	2.53 % (1)	5/08/2015	12/19/2015
HSRE-Campus Crest IX, LLC	30.0 %	2013	-	1	18,540	966	2.37 % (1)	7/25/2016	
HSRE-Campus Crest X, LLC	30.0 %	2013	-	2	7,783	-	n/a	n/a	
CB Portfolio	67.0 %	2013	28	1	261,592	392,458	5.65 % (3)	6/01/2014	10/01/2014
DCV Holdings, LP (4)	20.0 %	2013	-	2	5,337	32,881	3.72 %	1/31/2014	
Other	20.0 %	2013	-	-	1,535	-	n/a	n/a	
<b>Total Unconsolidated Entities</b>			<b>38</b>	<b>6</b>	<b>\$ 324,838</b>	<b>\$ 557,904</b>	<b>4.93 %</b>		

(1) Variable interest rates.

(2) Comprised of one fixed rate loan. In January 2014, we acquired the outstanding ownership of The Grove at Denton, Texas.

(3) Comprised of fixed rate debt.

In January 2014, DCV Holdings completed the acquisition of an additional re-development property in Montreal, Canada, evo à Sherbrooke, at which time our ownership percentage in CSH Montreal, the holding company that (4) owns DCV Holdings, increased to 35% (see Note 18 to the accompanying consolidated financial statements).

Effective December 31, 2013, the debt previously held by the Company was assumed by an affiliate of the joint venture and refinanced in January 2014.

### Funds From Operations (FFO)

FFO is used by industry analysts and investors as a supplemental operating performance measure for REITs. We calculate FFO in accordance with the definition that was adopted by the Board of Governors of NAREIT. FFO, as defined by NAREIT, represents net income (loss) determined in accordance with GAAP, excluding extraordinary items as defined under GAAP and gains or losses from sales of previously depreciated operating real estate assets, plus specified non-cash items, such as real estate asset depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. In addition, in October 2011, NAREIT communicated to its members that the exclusion of impairment write-downs of depreciable real estate is consistent with the definition of FFO.



We use FFO as a supplemental performance measure because, in excluding real estate-related depreciation and amortization and gains and losses from property dispositions, it provides a performance measure that, when compared year over year, captures trends in occupancy rates, rental rates and operating expenses. We also believe that, as a widely recognized measure of the performance of equity REITs, FFO will be used by investors as a basis to compare our operating performance with that of other REITs. However, because FFO excludes depreciation and amortization and captures neither the changes in the value of our properties that result from use or market conditions nor the level of capital expenditures necessary to maintain the operating performance of our properties, all of which have real economic effects and could materially and adversely impact our results of operations, the utility of FFO as a measure of our performance is limited.

While FFO is a relevant and widely used measure of operating performance of equity REITs, other equity REITs may use different methodologies for calculating FFO and, accordingly, FFO as disclosed by such other REITs may not be comparable to FFO published herein. Therefore, we believe that in order to facilitate a clear understanding of our historical operating results, FFO should be examined in conjunction with net income (loss) as presented in the consolidated financial statements accompanying this report. FFO should not be considered as an alternative to net income (loss) (computed in accordance with GAAP) as an indicator of our properties' financial performance or to cash flow from operating activities (computed in accordance with GAAP) as an indicator of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to pay dividends or make distributions.

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The following table presents a reconciliation of our FFO to our net income (loss) for the periods presented (in thousands):

(in thousands)	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Funds from operations ("FFO")			
Net income (loss) attributable to common stockholders	\$ (4,531)	\$ 6,638	\$ 3,730
Net income (loss) attributable to noncontrolling interests	(34)	46	51
Impairment of disposed assets	4,729	-	-
Impairment of investment in unconsolidated entity	312	-	-
Gain on purchase of joint venture properties <sup>(1)</sup>	-	(6,554)	(3,159)
Real estate related depreciation and amortization, including discontinued operations	25,503	23,521	19,832
Real estate related depreciation and amortization unconsolidated entities	23,271	1,731	2,434
FFO	\$ 49,250	\$ 25,382	\$ 22,888

For 2012, gain is from the purchase of our joint venture partner's interest in The Grove at Moscow, Idaho and The (1) Grove at Valdosta, Georgia; for 2011, gain is from the purchase of our joint venture partner's interest in The Grove at Huntsville, Texas and The Grove at Statesboro, Georgia.

In addition to FFO, we believe it is also a meaningful measure of our performance to adjust FFO to exclude the change in fair value of unhedged interest rate derivatives, write-off of unamortized deferred financing fees, transaction costs (including those within equity in earnings), fair value of debt adjustments within our investment in Copper Beech and the write-off of development costs. Excluding the non-cash portion of the change in fair value of unhedged interest rate derivatives, write-off of unamortized deferred financing fees, transaction costs (including those within equity in earnings), fair value of debt adjustments within our investment in Copper Beech and the write-off of development costs adjusts FFO to be more reflective of operating results prior to capital replacement or expansion, debt amortization of principal or other commitments and contingencies. This measure is referred to herein as "FFOA."

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
FFO	\$ 49,250	\$ 25,382	\$ 22,888
Elimination of write-off of unamortized deferred financing fees	236	966	-
Elimination of write-off of development costs	175	-	-
Elimination of transaction costs	1,121	-	-
Elimination of transaction costs included in equity in earnings	906	-	-
Elimination of fair value debt and purchase accounting adjustments at our investment in Copper Beech	(3,576)	-	-
Elimination of change in fair value of interest rate derivatives <sup>(1)</sup>	-	-	(337)
Funds from operations adjusted ("FFOA")	\$ 48,112	\$ 26,348	\$ 22,551

(1) Includes only the non-cash portion of the change in unhedged derivatives.

## **Inflation**

Our student housing leases typically do not have terms that extend beyond 12 months. Accordingly, although on a short-term basis we would be required to bear the impact of rising costs resulting from inflation, we have the opportunity to raise rental rates at least annually to offset any rising costs. However, our ability to raise rental rates could be limited by a weak economic environment, declining student enrollment at our principal colleges and universities or competition in the marketplace.

## **Recent Accounting Pronouncements**

See Note 2 in the accompanying consolidated financial statements.

## **Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**

As of December 31, 2013, our Revolving Credit Facility bears interest at a floating rate equal to, at our election, the Eurodollar Rate or the Base Rate (each as defined in our Revolving Credit Facility) plus a spread. The spread depends upon our leverage ratio and ranges from 1.75% to 2.50% for Eurodollar Rate based borrowings and from 0.75% to 1.50% for Base Rate based borrowings. At December 31, 2013, the spread on our Revolving Credit Facility was 2.50%.

**Interest Rate Sensitivity**

The table below provides information about financial instruments that are sensitive to changes in interest rates, including mortgage obligations, bonds and lines of credit. For debt obligations, the table presents scheduled maturities, excluding debt discounts, and related weighted average interest rates by expected maturity dates (in thousands, except interest rates):

	2014	2015	2016	2017	2018	Thereafter	Total
Fixed rate debt	\$ 2,437	\$ 2,707	\$ 45,883	\$ 15,955	\$ 146,584	\$ 54,521	\$ 268,087
Weighted average interest rate	5.24 %	5.16 %	5.16 %	4.97 %	4.91 %	3.99 %	5.16 %
Variable rate debt	-	40,138	-	108,500	-	-	148,638
Weighted average interest rate	-	2.26 %	-	2.65 %	-	-	2.60 %
Total	\$ 2,437	\$ 42,845	\$ 45,883	\$ 124,455	\$ 146,584	\$ 54,521	\$ 416,725

The table above presents the principal amount of debt maturing each year through December 31, 2018, and thereafter and weighted average interest rates for the debt maturing in each specified period. This table reflects indebtedness outstanding as of December 31, 2013, excluding joint venture debt, and does not reflect indebtedness incurred after that date. Our ultimate exposure to interest rate fluctuations depends on the amount of indebtedness that bears interest at variable rates, the time at which the interest rate is adjusted, the amount of adjustment, the ability to prepay or refinance variable rate indebtedness and hedging strategies used to reduce the impact of any increases in rates. As of December 31, 2013, the estimated fair value of our construction loans, fixed rate mortgage debt, and Exchangeable Senior Notes was \$302.9 million.

We are exposed to market risk from changes in interest rates. We seek to limit the impact of interest rate changes on earnings and cash flows and to lower the overall borrowing costs by closely monitoring our variable rate debt and converting such debt to fixed rates when we deem such conversion advantageous. As of December 31, 2013, approximately \$148.6 million of our aggregate indebtedness (35.9% of total indebtedness) was subject to variable interest rates.

If market rates of interest on our variable rate long-term debt fluctuate by 1.0%, interest cost would increase or decrease, depending on rate movement, future earnings and cash flows by approximately \$0.4 million annually. This assumes that the amount outstanding under our variable rate debt remains at \$148.6 million, the balance as of December 31, 2013.

We do and may in the future, continue to use derivative financial instruments to manage, or hedge, interest rate risks related to such variable rate borrowings. We do not, and do not expect to, use derivatives for trading or speculative purposes, and we expect to enter into contracts only with major financial institutions.

**Item 8. Financial Statements and Supplementary Data.**

The information required herein is included as set forth in Item 15 Exhibits and Financial Statement Schedules.

**Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.**

None.

**Item 9A. Controls and Procedures.**

***Evaluation of Disclosure Controls and Procedures***

As required by SEC Rule 13a-15(b), our management, including our Chief Executive Officer and Chief Financial Officer, performed an evaluation of our disclosure controls and procedures, which have been designed to permit us to effectively identify and timely disclose important information. Our management, including our Chief Executive Officer and Chief Financial Officer, concluded that the controls and procedures were effective as of December 31, 2013, to ensure that material information required to be disclosed by us in reports that we file or submit under the Exchange Act was accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

***Changes in Internal Control over financial reporting***

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during our most recent fiscal quarter that has materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

***Management's Annual Report on Internal Control Over Financial Reporting***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act as amended. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies may deteriorate.

Our management conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2013 using the criteria issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework. Based on that evaluation, management believes that our internal control over financial reporting was effective as of December 31, 2013.

KPMG LLP, an independent registered public accounting firm, has issued an attestation report on the effectiveness of our internal control over financial reporting. The report is included in Item 15 under the heading Report of Independent Registered Public Accounting Firm.

**Item 9B. Other Information**

None.

**PART III.**

**Item 10. Directors, Executive Officers and Corporate Governance**

The information required by this item is incorporated herein by reference to the material in the Proxy Statement.

**Item 11. Executive Compensation**

The information required by this item is incorporated herein by reference to the material in the Proxy Statement.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information required by this item is incorporated herein by reference to the material in the Proxy Statement.

**Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information required by this item is incorporated herein by reference to the material in the Proxy Statement.

**Item 14. Principal Accountant Fees and Services**

The information required by this item is incorporated herein by reference to the material in the Proxy Statement.

**PART IV.****Item 15. Exhibits and Financial Statement Schedules**

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All other schedules for which provision is made in Regulation S-X are either not required to be included herein under the related instructions or are inapplicable or the related information is included in the footnotes to the applicable financial statement and, therefore, have been omitted.

**3. Exhibits**

The following exhibits are filed as part of this annual report on Form 10-K:

<b>Exhibit Number</b>	<b>Description of Document</b>
2.1	Purchase and Sale Agreement, dated as of February 26, 2013, by and among CB-Campus Crest, LLC, CB-Campus Crest PA, LLC, Campus Crest Communities, Inc., Copper Beech Townhome Communities, LLC, Copper Beech Townhome Communities (PA), LLC and the sellers named therein (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on February 27, 2013).
2.2	First Amendment to Purchase and Sale Agreement, dated as of September 30, 2013, by and among CB-Campus Crest, LLC, CB-Campus Crest PA, LLC, Campus Crest Communities, Inc., Copper Beech Townhome Communities, LLC, Copper Beech Townhome Communities (PA), LLC and the sellers named therein (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on October 2, 2013).

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- 2.3 Purchase and Sale Agreement, dated as of March 15, 2013, by and among Copper Beech Townhome Communities, LLC, Copper Beech Townhome Communities (PA), LLC, Campus Crest Communities, Inc. and the sellers named therein (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on March 21, 2013).
- 3.1 Articles of Amendment and Restatement of Campus Crest Communities, Inc. (incorporated by reference to Exhibit 3.1 to the registrant's registration statement on Form S-11 (No. 333-166834) initially filed on May 14, 2010).



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- 3.2 Articles of Amendment to Articles of Amendment and Restatement of the Company, effective April 25, 2013 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on April 26, 2013).
- 3.3 Articles Supplementary designating Campus Crest Communities, Inc.'s 8.00% Series A Cumulative Redeemable Preferred Stock (incorporated by reference to Exhibit 3.1 to the registrant's current report on Form 8-K filed on February 9, 2012).
- 3.4 Articles Supplementary establishing additional shares of Campus Crest Communities, Inc.'s 8.00% Series A Cumulative Redeemable Preferred Stock (incorporated by reference to Exhibit 3.1 to the registrant's current report on Form 8-K filed on October 9, 2013).
- 3.5 Bylaws of Campus Crest Communities, Inc. (incorporated by reference to Exhibit 3.2 to the registrant's registration statement on Form S-11 (No. 333-166834) initially filed on May 14, 2010).
- 4.1 Form of Certificate for Common Stock of Campus Crest Communities, Inc. (incorporated by reference to Exhibit 4.1 to the registrant's registration statement on Form S-11 (No. 333-166834) initially filed on May 14, 2010).
- 4.2 Form of Certificate for 8.00% Series A Cumulative Redeemable Preferred Stock of Campus Crest Communities, Inc. (incorporated by reference to Exhibit 3.2 to the registrant's registration statement on Form 8-A filed on February 7, 2012).
- 4.3 Indenture, dated October 9, 2013, among Campus Crest Communities Operating Partnership, LP, as issuer, Campus Crest Communities, Inc., as guarantor, and U.S. Bank National Association, as trustee, including the form of 4.75% Exchangeable Senior Notes due 2018 and the form of the related guarantee (incorporated by reference to Exhibit 4.2 to the registrant's current report on Form 8-K filed on October 9, 2013).
- 4.4 Registration Rights Agreement, dated October 9, 2013, among Campus Crest Communities Operating Partnership, LP, Campus Crest Communities, Inc., Barclays Capital Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Citigroup Global Markets Inc. (incorporated by reference to Exhibit 10.1 to the registrant's current report on Form 8-K filed on October 9, 2013).
- 10.1 Second Amended and Restated Agreement of Limited Partnership of Campus Crest Communities Operating Partnership, LP (incorporated by reference to Exhibit 10.1 to the registrant's current report on Form 8-K filed on February 9, 2012).
- 10.2 First Amendment to Second Amended and Restated Agreement of Limited Partnership of Campus Crest Communities Operating Partnership, LP (incorporated by reference to Exhibit 10.2 to the registrant's current report on Form 8-K filed on October 9, 2013).
- 10.3 Campus Crest Communities, Inc. Amended and Restated Equity Incentive Compensation Plan (incorporated by reference to Exhibit 10.2 to the registrant's annual report on Form 10-K for the fiscal year ended December 31, 2010).\*
- 10.4 Form of Restricted Stock Award Agreement (incorporated by reference to Exhibit 4.3 to the registrant's registration statement on Form S-8 (No. 333-169958) filed on October 15, 2010).\*
- 10.5

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Form of Restricted Stock Unit Award Agreement (incorporated by reference to Exhibit 4.4 to the registrant's registration statement on Form S-8 (No. 333-169958) filed on October 15, 2010).\*

- 10.6 Form of Indemnification Agreement (incorporated by reference to Exhibit 10.2 to the registrant's current report on Form 8-K filed on October 21, 2010).\*
- 10.7 Employment Agreement by and between Campus Crest Communities, Inc. and Ted W. Rollins (incorporated by reference to Exhibit 10.6 to the registrant's annual report on Form 10-K for the fiscal year ended December 31, 2011).\*
- 10.8 First Amendment to Employment Agreement, dated August 5, 2013, between Campus Crest Communities, Inc. and Ted W. Rollins (incorporated by reference to Exhibit 10.1 to the registrant's current report on Form 8-K filed on August 8, 2013).\*
- 10.9 Amended and Restated Employment Agreement, dated August 5, 2013, between Campus Crest Communities, Inc. and Michael S. Hartnett (incorporated by reference to Exhibit 10.4 to the registrant's current report on Form 8-K filed on August 8, 2013).\*

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- 10.10 Employment Agreement by and between Campus Crest Communities, Inc. and Donald L. Bobbitt, Jr. (incorporated by reference to Exhibit 10.9 to the registrant's annual report on Form 10-K for the fiscal year ended December 31, 2011).\*
- 10.11 First Amendment to Employment Agreement, dated August 5, 2013, between Campus Crest Communities, Inc. and Donald L. Bobbitt, Jr. (incorporated by reference to Exhibit 10.2 to the registrant's current report on Form 8-K filed on August 8, 2013).\*
- 10.12 Employment Agreement by and between Campus Crest Communities, Inc. and Robert Dann (incorporated by reference to Exhibit 10.4 to the registrant's quarterly report on Form 10-Q for the quarter ended March 31, 2011).\*
- 10.13 First Amendment to Employment Agreement, dated August 5, 2013, between Campus Crest Communities, Inc. and Robert Dann (incorporated by reference to Exhibit 10.3 to the registrant's current report on Form 8-K filed on August 8, 2013).\*
- 10.14 Employment Agreement, dated August 5, 2013, between Campus Crest Communities, Inc. and Brian Sharpe.\*
- 10.15 Confidentiality and Noncompetition Agreement by and between Campus Crest Communities, Inc. and Ted W. Rollins (incorporated by reference to Exhibit 10.12 to the registrant's annual report on Form 10-K for the fiscal year ended December 31, 2011).\*
- 10.16 Confidentiality and Noncompetition Agreement by and between Campus Crest Communities, Inc. and Michael S. Hartnett (incorporated by reference to Exhibit 10.13 to the registrant's annual report on Form 10-K for the fiscal year ended December 31, 2011).\*
- 10.17 Confidentiality and Noncompetition Agreement by and between Campus Crest Communities, Inc. and Donald L. Bobbitt, Jr. (incorporated by reference to Exhibit 10.15 to the registrant's annual report on Form 10-K for the fiscal year ended December 31, 2011).\*
- 10.18 Confidentiality and Noncompetition Agreement by and between Campus Crest Communities, Inc. and Robert Dann (incorporated by reference to Exhibit 10.5 to the registrant's quarterly report on Form 10-Q for the quarter ended March 31, 2011).\*
- 10.19 Confidentiality and Noncompetition Agreement by and between Campus Crest Communities, Inc. and Brian Sharpe
- 10.20 Tax Protection Agreement by and among Campus Crest Communities, Inc., Campus Crest Communities Operating Partnership, LP, and MXT Capital, LLC (incorporated by reference to Exhibit 10.1 to the registrant's current report on Form 8-K filed on October 21, 2010).
- 10.21 Registration Rights Agreement by and among Campus Crest Communities, Inc., Campus Crest Communities Operating Partnership, LP, MXT Capital, LLC and certain other parties thereto (incorporated by reference to Exhibit 10.17 to the registrant's registration statement on Form S-11 (No. 333-166834) initially filed on May 14, 2010).
- 10.22 Second Amended and Restated Credit Agreement, by and among Campus Crest Communities Operating Partnership, LP, Campus Crest Communities, Inc., Citibank, N.A. and the other parties thereto, dated as of January 8, 2013 (incorporated by reference to Exhibit 10.1 to the registrant's current

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report on Form 8-K filed on January 10, 2013).

- 10.23 First Amendment to Second Amended and Restated Credit Agreement, dated as of February 22, 2013, among Campus Crest Communities Operating Partnership, LP, Citibank, N.A. and the other parties thereto (incorporated by reference to Exhibit 10.1 to the registrant's current report on Form 8-K filed on February 27, 2013).
- 10.24 Waiver of Required Lenders and Administrative Agent, dated as of April 8, 2013, by and among Campus Crest Communities Operating Partnership, LP, Citibank, N.A. and the other parties thereto (incorporated by reference to Exhibit 10.1 to the registrant's quarterly report on Form 10-Q for the quarter ended March 31, 2013).
- 10.25 Waiver of Required Lenders and Administrative Agent, dated as of June 28, 2013, by and among Campus Crest Communities Operating Partnership, LP, Citibank, N.A. and the other parties thereto (incorporated by reference to Exhibit 10.2 to the registrant's quarterly report on Form 10-Q for the quarter ended June 30, 2013).
- 10.26 Amended and Restated Operating Agreement of HSRE-Campus Crest I, LLC, dated as of October 19, 2010 (incorporated by reference to Exhibit 10.4 to the registrant's current report on Form 8-K filed on October 21, 2010).

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- 10.27 Operating Agreement of HRSE-Campus Crest IV, LLC, dated as of January 20, 2011 (incorporated by reference to Exhibit 10.68 to the registrant's annual report on Form 10-K for the fiscal year ended December 31, 2010).
- 10.28 Amended and Restated Operating Agreement of HRSE-Campus Crest V, LLC, dated as of December 20, 2011 (incorporated by reference to Exhibit 10.55 to the registrant's annual report on Form 10-K for the fiscal year ended December 31, 2011).
- 10.29 Contribution and Distribution Agreement by and among HSRE-Campus Crest IA, LLC, Campus Crest Ventures III, LLC, HSRE-Campus Crest I, LLC and Campus Crest Properties, LLC, dated as of December 29, 2011 (incorporated by reference to Exhibit 10.1 to the registrant's current report on Form 8-K filed on January 5, 2012).
- 10.30 Form of Aircraft Lease (incorporated by reference to Exhibit 10.43 to the registrant's registration statement on Form S-11 (No. 333-166834) initially filed on May 14, 2010).
- 12.1 Computation of Ratios of Earnings to Combined Fixed Charges and Preferred Stock Dividends
- 21.1 List of Subsidiaries of the registrant.
- 23.1 Consent of KPMG LLP.
- 31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 99.1 Unaudited Combined Consolidated Statement of Revenues and Certain Expenses of the Copper Beech Townhome Communities Portfolio for the period from March 18, 2013 to December 31, 2013.
- 100.1 The following materials from Campus Crest Communities, Inc.' Annual Report on Form 10-K for the year ended December 31, 2013 formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets of Campus Crest Communities, Inc., (ii) the Consolidated Statements of Operations of Campus Crest Communities, Inc., (iii) the Consolidated Statements of Changes in Equity and Comprehensive Income (Loss) of Campus Crest Communities, Inc., (iv) the Consolidated Statements of Cash Flows of Campus Crest Communities, Inc., and (v) related notes to the Consolidated Financial Statements of Campus Crest Communities, Inc., tagged as blocks of text.

As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

\* Represents management contract or compensatory plan or agreement.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

March 3, 2014

CAMPUS CREST COMMUNITIES, INC.

By: /s/ Ted W. Rollins  
 Chairman of the Board and  
 Chief Executive Officer

**POWER OF ATTORNEY**

KNOW ALL MEN BY THESE PRESENTS, that we, the undersigned officers and directors of Campus Crest Communities, Inc., hereby severally constitute Ted W. Rollins and Donald L. Bobbitt, Jr., and each of them singly, our true and lawful attorneys with full power to them, and each of them singly, to sign for us and in our names in the capacities indicated below, the Form 10-K filed herewith and any and all amendments to said Form 10-K, and generally to do all such things in our names and in our capacities as officers and directors to enable Campus Crest Communities, Inc. to comply with the provisions of the Securities Exchange Act of 1934, as amended, and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or any of them, to said Form 10-K and any and all amendments thereto.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<b>Name</b>	<b>Title</b>	<b>Date</b>
/s/ Ted W. Rollins Ted W. Rollins	Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)	March 3, 2014
/s/ Donald L. Bobbitt, Jr. Donald L. Bobbitt, Jr.	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 3, 2014
/s/ Lauro Gonzalez-Moreno Lauro Gonzalez-Moreno	Director	March 3, 2014
/s/ Michael S. Hartnett Michael S. Hartnett	Director	March 3, 2014
/s/ Richard S. Kahlbaugh Richard S. Kahlbaugh	Director	March 3, 2014
/s/ Denis McGlynn Denis McGlynn	Director	March 3, 2014

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<b>Name</b>	<b>Title</b>	<b>Date</b>
/s/ William G. Popeo William G. Popeo	Director	March 3, 2014
/s/ Daniel L. Simmons Daniel L. Simmons	Director	March 3, 2014

**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders  
Campus Crest Communities, Inc.:

We have audited the accompanying consolidated balance sheets of Campus Crest Communities, Inc. and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of operations and comprehensive income (loss), changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2013. In connection with our audits of the consolidated financial statements, we also have audited financial statement Schedule III, real estate and accumulated depreciation. These consolidated financial statements and financial statement Schedule III are the responsibility of Campus Crest Communities, Inc.'s management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement Schedule III based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Campus Crest Communities, Inc. and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement Schedule III, real estate and accumulated depreciation, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Campus Crest Communities, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control - Integrated Framework(1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated March 3, 2014, expressed an unqualified opinion on the effectiveness of Campus Crest Communities, Inc. and subsidiaries' internal control over financial reporting.

/s/ KPMG LLP  
Charlotte, North Carolina  
March 3, 2014



**Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders  
Campus Crest Communities, Inc.:

We have audited Campus Crest Communities, Inc. and subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Campus Crest Communities, Inc. and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of operations and comprehensive income (loss), changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2013, and financial statement Schedule III, real estate and accumulated depreciation, and our report dated March 3, 2014, expressed an unqualified opinion on those consolidated financial statements and financial statement Schedule III.

/s/ KPMG LLP  
Charlotte, North Carolina

March 3, 2014

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**CAMPUS CREST COMMUNITIES, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except per share data)

	December 31, 2013	December 31, 2012
<b>ASSETS</b>		
Investment in real estate, net:		
Student housing properties	\$ 716,285	\$ 669,387
Accumulated depreciation	(102,356)	(97,820)
Development in process	91,184	50,781
Investment in real estate, net	705,113	622,348
Investment in unconsolidated entities	324,838	22,555
Cash and cash equivalents	32,054	5,970
Restricted cash	32,636	3,902
Student receivables, net of allowance for doubtful accounts of \$539 and \$121, respectively	2,825	2,193
Cost and earnings in excess of construction billings	42,803	23,077
Other assets, net	42,410	16,275
Total assets	\$ 1,182,679	\$ 696,320
<b>LIABILITIES AND EQUITY</b>		
Liabilities:		
Mortgage and construction loans	\$ 205,531	\$ 218,337
Line of credit and other debt	207,952	75,375
Accounts payable and accrued expenses	62,448	45,634
Construction billings in excess of cost and earnings	600	49
Other liabilities	11,167	12,023
Total liabilities	487,698	351,418
Commitments and contingencies		
Equity:		
Preferred stock, \$0.01 par value, 50,000,000 and 10,000,000 shares authorized: 8.00% Series A Cumulative Redeemable Preferred Stock (liquidation preference \$25.00 per share), 6,100,000 and 2,300,000 shares issued and outstanding at December 31, 2013 and 2012, respectively	61	23
Common stock, \$0.01 par value, 500,000,000 and 90,000,000 shares authorized, 64,502,430 and 38,558,048 shares issued and outstanding in 2013 and 2012, respectively	645	386
Additional common and preferred paid-in capital	773,896	377,180
Accumulated deficit and distributions	(84,143)	(37,047)
Accumulated other comprehensive loss	(71)	(58)
Total Campus Crest Communities, Inc. stockholders' equity	690,388	340,484
Noncontrolling interests	4,593	4,418
Total equity	694,981	344,902
Total liabilities and equity	\$ 1,182,679	\$ 696,320

See accompanying notes to consolidated financial statements.



**CAMPUS CREST COMMUNITIES, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**AND COMPREHENSIVE INCOME (LOSS)**  
(In thousands, except per share data)

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Revenues:			
Student housing rental	\$ 87,635	\$ 71,211	\$ 49,048
Student housing services	3,615	2,880	2,062
Development, construction and management services	51,069	54,295	35,084
Total revenues	142,319	128,386	86,194
Operating expenses:			
Student housing operations	40,346	32,633	23,316
Development, construction and management services	46,759	50,493	31,051
General and administrative	10,658	8,821	6,749
Transaction costs	1,121	-	-
Ground leases	249	217	209
Impairment of unconsolidated entity	312	-	-
Depreciation and amortization	23,700	20,693	16,524
Total operating expenses	123,145	112,857	77,849
Equity in earnings (loss) of unconsolidated entities	(3,727)	361	(1,164)
Operating income	15,447	15,890	7,181
Nonoperating income (expense):			
Interest expense	(12,969)	(11,545)	(6,888)
Other income (expense)	1,414	(410)	720
Gain on purchase of previously unconsolidated entities	-	6,554	3,159
Total nonoperating expense, net	(11,555)	(5,401)	(3,009)
Net income before income tax benefit (expense)	3,892	10,489	4,172
Income tax benefit (expense)	727	(356)	(464)
Income from continuing operations	4,619	10,133	3,708
Income (loss) from discontinued operations	(3,001)	665	73
Net income	1,618	10,798	3,781
Net income (loss) attributable to noncontrolling interests	(34)	46	51
Dividends on preferred stock	6,183	4,114	-
Net income (loss) attributable to common stockholders	\$ (4,531)	\$ 6,638	\$ 3,730
Per share data - basic and diluted			
Income (loss) from continuing operations attributable to common stockholders	\$ (0.03)	\$ 0.17	\$ 0.12
Income (loss) from discontinued operations attributable to common shareholders	(0.05)	0.02	-
Net income (loss) per share attributable to common stockholders	\$ (0.08)	\$ 0.19	\$ 0.12
Weighted-average common shares outstanding:			
Basic	59,984	34,781	30,717
Diluted	60,418	35,217	31,153



**CAMPUS CREST COMMUNITIES, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**AND COMPREHENSIVE INCOME (LOSS) (CONTINUED)**  
(In thousands, except per share data)

Consolidated statements of comprehensive income (loss):			
Net income	\$ 1,618	\$ 10,798	\$ 3,781
Foreign currency translation	(71)	-	-
Change in fair value of interest rate derivatives	58	332	(215)
Comprehensive income	1,605	11,130	3,566
Net income (loss) attributable to noncontrolling interests	(34)	46	51
Change in fair value of interest rate derivatives attributable to noncontrolling interest	1	3	-
Dividends on preferred stock	6,183	4,114	-
Comprehensive income (loss) attributable to common stockholders	\$ (4,545)	\$ 6,967	\$ 3,515

See accompanying notes to consolidated financial statements.

**CAMPUS CREST COMMUNITIES, INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(In thousands)

	Series A Cumulative Redeemable Preferred Stock	Common Stock	Additional Common and Preferred Paid-in Capital	Accumulated Deficit and Distributions	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2010	-	307	248,515	(5,491)	(172)	243,159	3,631	246,790
Dividends on common stock	-	-	-	(19,649)	-	(19,649)	-	(19,649)
Dividends to noncontrolling interests	-	-	-	-	-	-	(280)	(280)
Amortization of restricted stock awards and operating partnership units	-	-	218	-	-	218	624	842
Transaction costs	-	-	(134)	-	-	(134)	-	(134)
Change in fair value of interest rate derivatives	-	-	-	-	(215)	(215)	-	(215)
Net income	-	-	-	3,730	-	3,730	51	3,781
Balance at December 31, 2011	-	307	248,599	(21,410)	(387)	227,109	4,026	231,135
Net proceeds of sale of preferred stock	23	-	54,870	-	-	54,893	-	54,893
Net proceeds of sale of common stock	-	75	72,087	-	-	72,162	-	72,162
Issuance of restricted stock	-	4	(4)	-	-	-	-	-
Amortization of restricted stock awards and operating partnership units	-	-	1,628	-	-	1,628	624	2,252
Dividends on preferred stock	-	-	-	(4,114)	-	(4,114)	-	(4,114)
Dividends on common stock	-	-	-	(22,275)	-	(22,275)	-	(22,275)
Dividends to noncontrolling interests	-	-	-	-	-	-	(281)	(281)
Change in fair value of interest rate derivatives	-	-	-	-	329	329	3	332
Net income	-	-	-	10,752	-	10,752	46	10,798
Balance at December 31, 2012	23	386	377,180	(37,047)	(58)	340,484	4,418	344,902
Net proceeds of sale of preferred stock	38	-	91,244	-	-	91,282	-	91,282
Net proceeds of sale of common stock	-	255	299,464	-	-	299,719	-	299,719
Equity portion of issuance of convertible notes	-	-	3,207	-	-	3,207	-	3,207
Issuance of restricted stock	-	4	(4)	-	-	-	-	-
Amortization of restricted stock awards and operating partnership units	-	-	2,805	-	-	2,805	495	3,300
Dividends on preferred stock	-	-	-	(6,183)	-	(6,183)	-	(6,183)
Dividends on common stock	-	-	-	(42,565)	-	(42,565)	-	(42,565)
Dividends to noncontrolling interests	-	-	-	-	-	-	(287)	(287)
Change in fair value of interest rate derivatives	-	-	-	-	58	58	1	59
Foreign currency translation	-	-	-	-	(71)	(71)	-	(71)
Net income	-	-	-	1,652	-	1,652	(34)	1,618
Balance at December 31, 2013	\$ 61	\$ 645	\$ 773,896	\$ (84,143)	\$ (71)	\$ 690,388	\$ 4,593	\$ 694,981



See accompanying notes to consolidated financial statements.

**CAMPUS CREST COMMUNITIES, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Operating activities:			
Net income	\$ 1,618	\$ 10,798	\$ 3,781
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	23,700	20,693	16,524
Depreciation included in discontinued operations	2,672	3,144	3,566
Impairment of disposed assets and investment in unconsolidated entity	5,041	-	-
Amortization of deferred financing costs and debt discount	1,969	2,838	1,338
Gain on purchase of previously unconsolidated entities	-	(6,554)	(3,159)
Loss on disposal of assets	350	154	66
Provision for bad debts	3,432	1,728	1,566
Proceeds received for business interruption insurance	400	-	-
Change in non-cash portion of fair value of unhedged derivatives	-	-	(337)
Equity in (earnings) loss of unconsolidated entities	3,727	(361)	1,164
Distributions of accumulated earnings from unconsolidated entities	17	766	-
Share-based compensation expense	3,300	1,194	265
Changes in operating assets and liabilities:			
Restricted cash	(533)	(736)	810
Student receivables	(4,067)	(2,492)	(1,776)
Construction billings	(19,175)	(10,967)	(8,765)
Accounts payable and accrued expenses	4,604	11,868	6,529
Other	(12,667)	(2,603)	1,198
Net cash provided by operating activities	14,388	29,470	22,770
Investing activities:			
Investments in development in process	(126,242)	(104,051)	(107,328)
Investments in student housing properties	(15,925)	(7,116)	(3,807)
Acquisition of student housing properties	(13,801)	-	-
Acquisition of previously unconsolidated entities	-	(15,352)	(13,510)
Investments in unconsolidated entities	(348,831)	(7,363)	(12,395)
Proceeds from the disposition of student housing properties	48,577	-	-
Insurance proceeds received for damaged assets	2,500	-	-
Issuance of notes receivable	(31,700)	-	-
Repayment of notes receivable	31,700	-	-
Capital distributions from unconsolidated entities	7,286	3,355	10,499
Purchase of corporate fixed assets	(15,036)	(1,855)	(375)
Change in restricted cash	(28,201)	(671)	-
Net cash used in investing activities	(489,673)	(133,053)	(126,916)
Financing activities:			
Proceeds from mortgage and construction loans	47,924	97,220	126,156

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Repayments of mortgage and construction loans	(60,730)	(93,096)	(28,846)
Proceeds from line of credit and other debt	167,274	59,400	83,000
Repayments of line of credit and other debt	(96,681)	(66,077)	(46,000)
Proceeds from exchangeable senior notes	100,000	-	-
Debt issuance costs	(4,273)	(1,219)	(2,404)
Dividends paid to preferred stockholders	(4,600)	(3,156)	-
Dividends paid to common stockholders	(38,089)	(21,028)	(18,636)
Dividends to noncontrolling interests	(287)	(281)	(265)
Proceeds from sale of preferred stock	95,282	57,500	-
Proceeds from sale of common stock	312,742	75,573	-
Payment of offering costs	(17,193)	(6,018)	(451)
Net cash provided by financing activities	501,369	98,818	112,554
Net change in cash and cash equivalents	26,084	(4,765)	8,408
Cash and cash equivalents at beginning of period	5,970	10,735	2,327
Cash and cash equivalents at end of period	\$ 32,054	\$ 5,970	\$ 10,735

**CAMPUS CREST COMMUNITIES, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
(In thousands)

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Supplemental disclosure of cash flow information:			
Cash paid for interest, net of amounts capitalized	\$ 12,900	\$ 8,617	\$ 7,247
Cash paid for income taxes	173	571	44
Non-cash investing and financing activity:			
Other debt assumed by investment in unconsolidated entity	\$ 34,774	\$ -	\$ -
Contribution of land to investment in unconsolidated entities	16,900	3,347	11,730
Common and preferred stock dividends declared but not paid	13,765	7,197	4,983
Change in payables related to dividends to common and preferred stockholders and noncontrolling interest	6,059	2,205	1,028
Insurance proceeds receivable related to damaged assets	1,029	-	-
Change in payables related to capital expenditures	5,278	637	8,276
Assumption of mortgage debt related to purchase of previously unconsolidated entities	-	27,299	28,764
Assumption of bonds related to land purchase	-	-	2,552
Conversion of costs and earnings in excess of construction billings to investment in unconsolidated entities	-	898	-

See accompanying notes to consolidated financial statements.

## 1. Organization and Description of Business

Campus Crest Communities, Inc., together with its subsidiaries, referred to herein as the “Company,” “we,” “us,” “our,” and “Campus Crest,” is a self-managed, self-administered and vertically-integrated real estate investment trust (“REIT”) focused on developing, building, owning and managing a diversified portfolio of high-quality, residence life focused student housing properties. We currently own the sole general partner interest and own limited partner interests in Campus Crest Communities Operating Partnership, LP (the “Operating Partnership”). We hold substantially all of our assets, and conduct substantially all of our business, through the Operating Partnership.

We have made an election to qualify, and we believe we are operating so as to qualify, as a REIT under Sections 856 through 859 of the Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”). As a REIT, we generally will not be subject to U.S. federal income tax to the extent that we meet the organizational and operational requirements and our distributions equal or exceed 90.0% of REIT taxable income. For all periods subsequent to the REIT election, we have met the organizational and operational requirements and distributions have exceeded net taxable income.

We have made an election to treat Campus Crest TRS Holdings, Inc. (“TRS Holdings”), our wholly-owned subsidiary, as a taxable REIT subsidiary (“TRS”). TRS Holdings holds the development, construction and management companies that provide services to entities in which we do not own 100% of the equity interests. As a TRS, the operations of TRS Holdings and its subsidiaries are generally subject to federal, state and local income and franchise taxes.

As of December 31, 2013, we had ownership interests in 41 operating student housing Grove properties comprising approximately 8,151 apartment units and 22,303 beds. Thirty-one of our operating Grove properties are wholly-owned and ten of our operating Grove properties are owned through joint ventures with Harrison Street Real Estate Capital (“HSRE”) or with HSRE and Brandywine Realty Trust (“Brandywine”). As of December 31, 2013, we also owned interests in 28 operating student housing Copper Beech (see Note 5) properties, containing approximately 5,047 units and 13,177 beds, and one wholly-owned redevelopment property containing approximately 382 units and 629 beds. Our portfolio consists of the following:

	Student Housing Properties in Operation	Student Housing Properties Under Construction <sup>(1)</sup>
Wholly owned Grove properties	31	4
Joint Venture Grove properties	10	2
Total Grove Properties	41	6
Joint Venture evo properties <sup>(2)</sup>	-	3
CB Portfolio	28	1
Total Portfolio <sup>(3)</sup>	69	10

For delivery in the 2014-2015 academic year, consolidated entities under construction include The Grove at Slippery Rock, Pennsylvania, The Grove at Grand Forks, North Dakota, The Grove at Gainesville, Florida, and The Grove at Mt. Pleasant, Michigan. For delivery in the 2014-2015 academic year, joint venture properties under construction include evo at Cira Centre South, Pennsylvania, The Grove at Louisville, Kentucky, The Grove at Greensboro, North Carolina, evo à Square Victoria, Montreal, and evo à Sherbrooke, Montreal. We also have an interest in a Copper Beech property under construction, Copper Beech at Ames.

(2) Renovation work began on evo à Sherbrooke in January 2014.

(3)

The re-development of our 100% owned property in Toledo, OH, which was acquired in March 2013, is excluded. We expect to announce more details on the redevelopment in 2014. See Note 5.

## **2. Summary of Significant Accounting Policies**

### ***Basis of Presentation***

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) and represent our financial position, results of operations and cash flows. Third-party equity interests in the Operating Partnership are reflected as noncontrolling interests in the consolidated financial statements. The Company also has interests in unconsolidated real estate ventures which have ownership in several property owning entities that are accounted for under the equity method. All significant intercompany balances and transactions have been eliminated. Certain prior period amounts have been reclassified to conform to the current period presentation, primarily related to discontinued operations associated with the asset dispositions discussed in Note 6.

***Use of Estimates***

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant assumptions and estimates are used by management in recognizing construction and development revenue under the percentage of completion method, useful lives of student housing properties, valuation of investment in real estate and investments in unconsolidated entities, initial valuation and underlying allocation of purchase price to newly acquired student housing properties, valuation allowance on deferred tax assets, determination of fair value for impairment assessments, allowance for doubtful accounts, fair value of the debt and equity components of the exchangeable notes at the date of issuances and the fair value of financial assets and liabilities, including derivatives. Actual results may differ from previously estimated amounts and such differences may be material to the consolidated financial statements. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected prospectively in the periods in which they occur.

***Investment in Real Estate***

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

Land improvements	15 years
Buildings and leasehold improvements	10-40 years
Furniture, fixtures and equipment	2-15 years

The cost of buildings and improvements includes all pre-development, entitlement and project costs directly associated with the development and construction of a real estate project, which include interest, property taxes and the amortization of deferred financing costs recognized while the project is under construction, as well as certain internal costs related to the development and construction of our student housing properties. All costs are capitalized as development in process until the asset is ready for its intended use, which is typically at the completion of the project. Upon completion, costs are transferred into the applicable asset category and depreciation commences. Interest totaling approximately \$3.3 million, \$2.4 million, and \$2.0 million was capitalized during the years ended December 31, 2013, 2012, and 2011, respectively.

We capitalize costs during the development of assets beginning with the determination that development of a future asset is probable until the asset, or a portion of the asset, is delivered and is ready for its intended use. During development efforts we capitalize all direct costs and indirect costs that have been incurred as a result of the development. These costs include interest and related loan fees, property taxes as well as other direct and indirect costs. We capitalize interest costs for debt incurred for project specific financing and for capital contributions to equity method investees who utilize such funds for construction-related activities. Indirect project costs, which include personnel and office and administrative costs that are clearly associated with our development and redevelopment efforts, are capitalized. Indirect costs not clearly related to the acquisition, development, redevelopment and construction activity, including general and administrative expenses, are expensed in the period incurred. Capitalized indirect costs associated with our development activities were \$9.0 million, \$7.4 million, and \$6.8 million for the years ended December 31, 2013, 2012, and 2011, respectively. All such costs are capitalized as development in process until the asset is delivered and ready for its intended use, which is typically at the completion of the project. Upon completion, costs are transferred into the applicable asset category and depreciation commences.

Pre-development costs are capitalized when they are directly identifiable with the specific property and would be capitalized if the property were already acquired and acquisition of the property or an option to acquire the property is probable. Capitalized pre-development costs are expensed when management believes it is no longer probable that a contract will be executed and/or construction will commence. Because we frequently incur these pre-development expenditures before a financing commitment and/or required permits and authorizations have been obtained, we bear the risk of loss of these pre-development expenditures if financing cannot ultimately be arranged on acceptable terms or we are unable to successfully obtain the required permits and authorizations. As such, management evaluates the status of projects where we have not yet acquired the target property or where we have not yet commenced construction on a periodic basis and write-off any pre-development costs related to projects whose current status indicates the acquisition or commencement of construction is not probable. Such write-offs are included within development, construction, and management services in the accompanying consolidated statements of operations and comprehensive income (loss). As of December 31, 2013 and 2012, we have deferred approximately \$10.5 million and \$8.1 million, respectively, in pre-development costs related to development projects for which construction has not commenced. Included within the December 31, 2013 balance were seven land parcels that could be used for the development of seven properties (within either our wholly-owned portfolio or as contributions to joint venture projects) with an aggregate bed count ranging from approximately 3,000 to 3,500. Such costs are included in development in process on the accompanying consolidated balance sheets.



Management assesses whether there has been impairment in the value of our investment in real estate whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of investment in real estate is measured by a comparison of the carrying amount of a student housing property to the estimated future undiscounted cash flows expected to be generated by the property. Impairment is recognized when estimated future undiscounted cash flows, including proceeds from disposition, are less than the carrying value of the property. The estimation of future undiscounted cash flows is inherently uncertain and relies on assumptions regarding current and future economics and market conditions. If such conditions change, then an adjustment reducing the carrying value of our long-lived assets could occur in the future period in which conditions change. To the extent that a property is impaired, the excess of the carrying amount of the property over its estimated fair value is recorded as an impairment charge. Fair value is determined based upon the discounted cash flows of the property, quoted market prices or independent appraisals, as considered necessary. As of December 31, 2013, we recorded an impairment of approximately \$3.5 million related to damage from fire at The Grove at Pullman, Washington (see Note 3) and damage at The Grove at Wichita, Kansas, and The Grove at Wichita Falls, Texas. As of December 31, 2013, we had collected \$2.5 million in proceeds and have a receivable of \$1.0 million which is presented in other assets in the accompanying consolidated balance sheets. As of December 31, 2013, we also recorded an impairment of approximately \$4.7 million related to the disposition of The Grove at Jacksonville, Alabama, The Grove at Jonesboro, Arkansas, The Grove at Wichita, Kansas, and The Grove at Wichita Falls, Texas (see Note 6), which is classified within discontinued operations in the accompanying statements of operations and comprehensive income (loss).

### ***Property Acquisitions***

We allocate the purchase price of acquired properties to tangible and identified intangible assets and liabilities based on the fair values of these assets and liabilities. Fair value estimates are based on information obtained from independent appraisals, market data, information obtained during due diligence and information related to the marketing and leasing at the specific property. The value of in-place leases is based on the difference between (i) the property valued with existing in-place leases adjusted to market rental rates and (ii) the property valued “as-if” vacant. As lease terms are typically one year or less, rates on in-place leases generally approximate market rental rates. Factors considered in the valuation of in-place leases include an estimate of the carrying costs during the expected lease-up period considering current market conditions, nature of the tenancy and costs to execute similar leases. Carrying costs include estimates of lost rentals at market rates during the expected lease-up period, net of variable operating expenses. The value of in-place leases is amortized on a straight-line basis over the remaining initial term of the respective leases, generally less than one year. The purchase price of property acquisitions is not expected to be allocated to tenant relationships, considering the terms of the leases and the expected levels of renewals. Acquisition-related costs such as due diligence, legal, accounting and advisory fees are either expensed as incurred for acquisitions that are consolidated or capitalized for acquisitions accounted for under the equity method of accounting.

### ***Ground Leases***

Ground lease expense is recognized on a straight-line basis over the term of the related lease.

### ***Cash, Cash Equivalents, and Restricted Cash***

We consider all highly liquid investments with an original maturity of three months or less to be cash equivalents. Restricted cash is excluded from cash for the purpose of preparing the consolidated statements of cash flows. We maintain cash balances in various banks. At times our balances may exceed the amount insured by the Federal Deposit Insurance Corporation (“FDIC”). We do not believe this presents significant exposure for our business.

Restricted cash includes escrow accounts held by lenders for the purpose of paying taxes, insurance and funding capital improvements. In certain instances, restricted cash consists of funds, required by a counter-party to our derivative contracts, to serve as collateral for future settlements of those derivative contracts. At December 31, 2013,

we held approximately \$28.2 million with a qualified intermediary to facilitate a tax deferred Section 1031 like-kind exchange in conjunction with the disposition of four properties (see Note 6). Our funds in escrow are typically held in interest bearing accounts covered under FDIC insurance with applicable limits.

***Deferred Financing Costs***

We defer costs incurred in obtaining financing and amortize the costs using the straight-line method, which approximates the effective interest method, over the expected terms of the related loans. Upon repayment of the underlying debt agreement, any unamortized costs are charged to earnings. Deferred financing costs, net of accumulated amortization, are included in other assets, net in the accompanying consolidated balance sheets.

***Noncontrolling Interests***

Noncontrolling interests represent the portion of equity in our consolidated subsidiaries which are not attributable to the stockholders. Accordingly, noncontrolling interests are reported as a component of equity, separate from stockholders' equity, in the accompanying consolidated balance sheets. On the consolidated statements of operations and comprehensive income (loss), operating results are reported at their consolidated amounts, including both the amount attributable to us and to noncontrolling interests (see Note 12).

### ***Real Estate Ventures***

We hold interests in our properties, both under development and in operation, through interests in both consolidated and unconsolidated real estate ventures. We assess our investments in real estate ventures to determine if a venture is a variable interest entity (“VIE”). Generally, an entity is determined to be a VIE when either (1) the equity investors (if any) lack one or more of the essential characteristics of a controlling financial interest, (2) the equity investment at risk is insufficient to finance that entity’s activities without additional subordinated financial support or (3) the equity investors have voting rights that are not proportionate to their economic interests and the activities of the entity involve or are conducted on behalf of an investor with disproportionately small voting interest. We consolidate entities that are VIEs and for which we are determined to be the primary beneficiary. In instances where we are not the primary beneficiary, we do not consolidate the entity for financial reporting purposes. The primary beneficiary is the entity that has both (1) the power to direct matters that most significantly impact the VIE’s economic performance and (2) the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. Entities that are not defined as VIEs are consolidated where we are the general partner (or the equivalent) and the limited partners (or the equivalent) in such investments do not have rights which would preclude control.

For entities where we are the general partner (or the equivalent) but do not control the real estate venture, as the other partners (or the equivalent) hold substantive participating rights, we use the equity method of accounting. For entities where we are a limited partner (or the equivalent), management considers factors such as ownership interest, voting control, authority to make decisions and contractual and substantive participating rights of the partners (or the equivalent) to determine if the presumption that the general partner controls the entity is overcome. In instances where these factors indicate we control the entity, we consolidate the entity; otherwise we record our investment using the equity method of accounting.

Under the equity method of accounting, investments are initially recognized in the consolidated balance sheet at cost and are subsequently adjusted to reflect our proportionate share of net earnings or losses of the entity, distributions received, contributions and certain other adjustments, as appropriate. Any difference between the carrying amount of these investments on our balance sheet and the underlying equity in net assets is amortized as an adjustment to equity in earnings (loss) of unconsolidated entities. When circumstances indicate there may have been a loss in value of an equity method investment, and we determine the loss in value is other than temporary, we recognize an impairment charge to reflect the investment at fair value. As of December 31, 2013, we recorded an impairment of approximately \$0.3 million related to The Grove at Denton, Texas, of which we acquired the outstanding ownership interests in January 2014.

### ***Segments***

We define business segments by their distinct customer base and services provided. We have identified two reportable business segments: (i) student housing operations and (ii) development, construction and management services. We evaluate the performance of our operating segments based on operating income (loss). All inter-segment sales pricing is based on current market conditions. Unallocated corporate amounts include general expenses associated with managing our two reportable operating segments.

### ***Student Housing Revenue***

Students are required to execute lease contracts with payment schedules that vary from annual to monthly payments. We recognize revenues on a straight-line basis over the term of the lease contracts. Generally, each executed contract is required to be accompanied by a signed parental guaranty. Amounts received in advance of the occupancy period or prior to the contractual due date are recorded as deferred revenues and included in other liabilities on the accompanying consolidated balance sheets. Service revenue is recognized when earned.

***Development, Construction and Management Services***

Development and construction service revenue is recognized using the percentage of completion method, as determined by construction costs incurred relative to total estimated construction costs. For the purpose of applying this method, significant estimates are necessary to determine the percentage of completion as of the balance sheet date. This method is used because management considers total cost to be the best measure of progress toward completion of the contract. Any changes in significant judgments and/or estimates used in determining construction and development revenue could significantly change the timing or amount of construction and development revenue recognized.

Development and construction service revenue is recognized for contracts with entities we do not consolidate. For projects where revenue is based on a fixed price, any cost overruns incurred during construction, as compared to the original budget, will reduce the net profit ultimately recognized on those projects. Profit derived from these projects is eliminated to the extent of our interest in the unconsolidated entity. When total development or construction costs at completion exceed the fixed price set forth within the related contract, such cost overruns are recorded as additional investment in the unconsolidated entity to the extent these amounts are determined to be realizable. Entitlement fees, where applicable, are recognized when earned based on the terms of the related contracts.

Costs and estimated earnings in excess of billings represents the excess of construction costs and profits recognized to date using the percentage of completion method over billings to date on certain contracts. Billings in excess of costs and estimated earnings represents the excess of billings to date over the amount of contract costs and profits recognized to date using the percentage of completion method on certain contracts. Total billings to date on such contracts totaled \$51.3 million and \$44.4 million as of December 31, 2013 and 2012, respectively. The Company expects to bill the cost and estimated earnings in excess of billings in 2014.

Management fees are recognized when earned in accordance with each management contract. Incentive management fees are recognized when the incentive criteria are met.

***Allowance for Doubtful Accounts***

Allowances for student receivables are maintained to reduce our receivables to the amount that management estimates to be collectible, which approximates fair value. The allowance is estimated based on past due balances not received on contractual terms, as well as historical collections experience and current economic and business conditions. When management has determined that receivables are uncollectible, they are written off against the allowance for doubtful accounts. Recoveries of accounts previously written off are recorded when received.

The allowance for doubtful accounts is summarized as follows (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Balance at beginning of period	\$ 121	\$ 246	\$ 431
Charged to expense	3,432	1,728	1,566
Write-offs	(2,433)	(1,853)	(1,751)
Sale of properties	(581)	-	-
Balance at end of period	\$ 539	\$ 121	\$ 246

### ***Marketing and Advertising Costs***

Marketing and advertising costs are expensed during the period incurred and included in general and administrative expenses in the accompanying consolidated statements of operations and comprehensive income (loss). Marketing and advertising expenses were \$1.5 million, \$1.3 million and \$0.7 million for the years ended December 31, 2013, 2012 and 2011, respectively.

### ***Derivative Instruments and Hedging Activities***

We enter into interest rate cap and interest rate swap agreements to manage floating interest rate exposure with respect to amounts borrowed, or forecasted to be borrowed, under credit facilities. These contracts effectively exchange existing or forecasted obligations to pay interest based on floating rates for obligations to pay interest based on fixed rates. We do not enter into or hold derivatives for trading or speculative purposes.

All derivative instruments are recognized as either assets or liabilities on the consolidated balance sheets at their respective fair values. Changes in fair value are recognized either in earnings or as accumulated other comprehensive income (loss), depending on whether the derivative has been designated as a cash flow hedge and whether it qualifies as part of a hedging relationship, the nature of the exposure being hedged and how effective the derivative is at offsetting movements in underlying exposure. We discontinue hedge accounting when: (i) we determine that the derivative is no longer effective in offsetting changes in the cash flows of a hedged item; (ii) the derivative expires or is sold, terminated or exercised; (iii) it is no longer probable that the forecasted transaction will occur; or (iv) management determines that designating the derivative as a hedging instrument is no longer appropriate. In situations in which hedge accounting is not initially designated, or is discontinued and a derivative remains outstanding, gains and losses related to changes in the fair value of the derivative instrument are recorded in current-period earnings as a component of the change in fair value of interest rate derivatives line item on the accompanying consolidated statements of operations and comprehensive income (loss). Also included within this line item are any required monthly settlements on the swaps as well as all cash settlements paid.

### ***Commitments and Contingencies***

Liabilities for loss contingencies, arising from claims, assessments, litigation, fines, penalties and other sources, are recorded when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

### ***Income Taxes***

We have made an election to qualify, and believe we are operating so as to qualify, as a REIT under Sections 856 through 859 of the Internal Revenue Code. Our qualification as a REIT depends upon our ability to meet on a continuing basis, through actual investment and operating results, various complex requirements under the Internal Revenue Code relating to, among other things, the sources of our gross income, the composition and values of our

assets, our distribution levels and the diversity of ownership of our stock. We believe that we are organized in conformity with the requirements for qualification and taxation as a REIT under the Internal Revenue Code and that our intended manner of operation will enable us to meet the requirements for qualification and taxation as a REIT.

As a REIT, we generally will not be subject to U.S. federal and state income tax on taxable income that we distribute currently to our stockholders. If we fail to qualify as a REIT in any taxable year and do not qualify for certain statutory relief provisions, we will be subject to U.S. federal income tax at regular corporate rates and generally will be precluded from qualifying as a REIT for the subsequent four taxable years following the year during which we lost our REIT qualification. Accordingly, our failure to qualify as a REIT could materially and adversely affect us, including our ability to make distributions to our stockholders in the future.

We have made an election to treat TRS Holdings, our wholly-owned subsidiary, as a TRS. TRS Holdings holds the development, construction and management companies that provide services to entities in which we do not own 100% of the equity interests, as a TRS. As a TRS, the operations of TRS Holdings and its subsidiaries are generally subject to federal, state and local income and franchise taxes. Our TRS accounts for its income taxes in accordance with U.S. GAAP, which includes an estimate of the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in our financial statements or tax returns. Deferred tax assets and liabilities of the TRS entities are recognized based on the difference between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates in effect in the years in which those temporary differences are expected to reverse.

We follow a two-step approach for evaluating uncertain tax positions. Recognition (step one) occurs when we conclude that a tax position, based solely on its technical merits, is more-likely-than-not (a likelihood of more than 50 percent) to be sustained upon examination. Measurement (step two) determines the amount of benefit that more-likely-than-not will be realized upon settlement. Derecognition of a tax position that was previously recognized would occur when we subsequently determined that a tax position no longer met the more-likely-than-not threshold of being sustained. The use of a valuation allowance as a substitute for derecognition of tax positions is prohibited.

### ***Comprehensive Income (Loss)***

Comprehensive income (loss) includes net income (loss) and other comprehensive income (loss), which consists of unrealized gains (losses) on derivative instruments and foreign currency translation adjustments. Comprehensive income (loss) is presented in the accompanying consolidated statements of operations and comprehensive income (loss), and accumulated other comprehensive income (loss) is displayed as a separate component of stockholders' equity.

### ***Stock-Based Compensation***

We grant restricted stock and restricted OP Unit awards that typically vest over either a three or five year period. A restricted stock or OP Unit award is an award of shares of our common stock or OP Units that are subject to restrictions on transferability and other restrictions determined by our compensation committee at the date of grant. A grant date is established for a restricted stock award or restricted OP Unit award upon approval from our compensation committee and Board of Directors. The restrictions may lapse over a specified period of employment or the satisfaction of pre-established criteria as our compensation committee may determine. Except to the extent restricted under the award agreement, a participant awarded restricted stock or OP Units has all the rights of a stockholder or OP Unit holder as to these shares or units, including the right to vote and the right to receive dividends or distributions on the shares or units. The fair value of the award is determined based on the market value of our common stock on the grant date and is recognized on a straight-line basis over the applicable vesting period for the entire award with cost recognized at the end of any period being at least equal to the shares that were then vested.



### ***Foreign Currency***

Transactions denominated in foreign currencies are recorded in local currency at actual exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet dates are reported at the rates of exchange prevailing at those dates. Any gains or losses arising on monetary assets and liabilities from a change in exchange rates subsequent to the date of the transaction have been included in expenses in the accompanying consolidated statements of operations and comprehensive income (loss). As of December 31, 2013, we were exposed to only one foreign currency, the Canadian dollar. The aggregate transaction gains and losses included in the accompanying consolidated statements of operations for the year ended December 31, 2013 was not significant.

The financial statements of certain equity method investees and certain foreign subsidiaries are translated from their respective local currencies into U.S. dollars using current and historical exchange rates. Translation adjustments resulting from this process are reported separately and accumulated as a component of accumulated other comprehensive income (loss) in stockholders' equity in the accompanying consolidated balance sheets. Upon sale or liquidation of our investments, the translation adjustment would be reported as part of the gain or loss on sale or liquidation.

### ***Insurance Recoveries***

Insurance recoveries are amounts due or received under our applicable insurance policies for asset damage and business interruption relating to the fire at The Grove at Pullman, Washington (see Note 3) and to the damage at The Grove at Wichita, Kansas, and The Grove at Wichita Falls, Texas. We have received \$2.5 million of insurance proceeds and have recorded insurance recovery receivables of approximately \$1.0 million, which is included in other assets within the consolidated balance sheets, in connection with asset damages based on preliminary estimates, offsetting the recognized \$3.5 million impairment. Business interruption recovery is recorded when realized and included as a reduction within student housing operations expenses within the consolidated statements of operations. For the year ended December 31, 2013, we recognized \$1.4 million of business interruption recovery.

### ***Recent Accounting Pronouncements***

The FASB issued ASU 2013-04, Liabilities (Topic 405); Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date, in February 2013. ASU 2013-04 ("Update") requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation is fixed as the sum of the amount the entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the entity expects to pay on behalf of its co-obligors. The new standard is effective for fiscal years ending after December 15, 2014 and interim and annual periods thereafter. ASU 2013-04 is to be applied retrospectively to all prior periods presented for those obligations resulting from joint and several liability arrangements within the Update's scope that exist at the beginning of an entity's fiscal year of adoption. The Company will implement the provisions of the Update as of January 1, 2014. We believe that the adaption of this guidance will not have a material affect on our consolidated financial statements.



### 3. Student Housing Properties

The following is a summary of our student housing properties, net for the periods presented (in thousands):

	As of December 31,	
	2013	2012
Land	\$ 58,439	\$ 53,984
Buildings and improvements	597,141	552,984
Furniture, fixtures and equipment	60,705	62,419
	716,285	669,387
Less: accumulated depreciation	(102,356)	(97,820)
	\$ 613,929	\$ 571,567

In December 2013, we sold four wholly-owned student housing properties: The Grove at Jacksonville, Alabama, The Grove at Jonesboro, Arkansas, The Grove at Wichita, Kansas, and The Grove at Wichita Falls, Texas (see Note 6).

In July 2013, we experienced a fire at The Grove at Pullman, Washington, a property under construction, which resulted in a partial loss of the property. We have estimated the loss to be approximately \$3.0 million. While no assurances can be given, after taking into account our existing insurance coverage, we believe that the damages sustained as a result of this fire will not have a material adverse effect on our financial position or results of operations.

In March 2013, we acquired a 100% ownership in Campus Crest at Toledo, Ohio resulting in an increase to our student housing properties (see Note 5).

In July 2012, we acquired the remaining ownership interests in The Grove at Moscow, Idaho, and The Grove at Valdosta, Georgia (see Note 5.)

#### 4. Income Taxes

The Company qualifies as a REIT under the Internal Revenue Code. Therefore we are not subject to federal income tax as long as we distribute at least 90% of our REIT taxable income to our stockholders each year. As a result, no provision for federal income taxes for the REIT has been included in the accompanying consolidated financial statements. If we fail to qualify as a REIT, we will be subject to federal income tax (including any applicable alternative minimum tax) on our taxable income and to federal income and excise taxes on our undistributed income.

Our TRSs are subject to federal, state, and local income taxes. As such, deferred income taxes result from temporary differences between the carrying amounts of assets and liabilities of the TRSs for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using enacted tax rates in effect in the years in which those temporary differences are expected to reverse. Significant components of the deferred tax assets and liabilities of the TRSs are as follows:

	December 31, 2013
Deferred tax assets:	
Solar investment tax credit (net of valuation allowance of \$484)	\$ 1,441
Other	101
Total deferred tax assets	1,542
Deferred tax liabilities:	
Deferred revenue	(260)
Depreciation and amortization	(355)
Total deferred tax liabilities	(615)
Net deferred tax assets	\$ 927

Significant components of our income tax provision are as follows:

	Year Ended December 31,		
	2013	2012	2011
Current:			
Federal	\$ -	\$ 150	\$ 393
State	200	206	71
Current expense	200	356	464
Deferred:			
Federal	(885)	-	-
State	(42)	-	-
Deferred benefit	(927)	-	-
Income tax expense (benefit)	\$ (727)	\$ 356	\$ 464

We believe it is more likely than not that we will realize the value of our net deferred tax asset. The Company has no unrecognized tax benefits as of December 31, 2013 and 2012

#### 5. Business Acquisitions

##### *Copper Beech Acquisition*

In February 2013, we entered into purchase and sale agreements to acquire a 48.0% interest in a portfolio of 35 student housing properties, one undeveloped land parcel and a corporate office building held by the members of Copper Beech Townhome Communities, LLC ("CBTC") and Copper Beech Townhome Communities (PA), LLC

(“CBTC PA”, together with CBTC, “Copper Beech” or the “Sellers”) (the “CB Portfolio”), and a fully integrated platform and brand with a management team, for an initial purchase price of approximately \$230.2 million, including the repayment of \$106.7 million of debt, with the remaining 52.0% interest in the CB Portfolio to be held by certain of the current members of CBTC and CBTC PA, (the “CB Investors”). To effect the acquisition of our 48.0% interest in the CB Portfolio, we entered into a purchase and sale agreement (the “Purchase Agreement”), and related transactions, with the members of CBTC and CBTC PA, to acquire in steps a 36.3% interest in the CB Portfolio. We also entered into a purchase and sale agreement with certain investors in the CB Portfolio who are not members of Copper Beech (the “Non-Member Investors”) to acquire the interests in the CB Portfolio held by such Non-Member Investors (the “Non-Member Purchase Agreement”). Pursuant to the Non-Member Purchase Agreement, we acquired approximately an 11.7% interest in the CB Portfolio from the Non-Member Investors. We refer to this transaction as the “CB Portfolio Acquisition.”

The CB Portfolio consists of 35 student housing properties, one undeveloped land parcel, and Copper Beech’s corporate office building in State College, Pennsylvania. The CB Portfolio consists primarily of townhouse units located in eighteen geographic markets in the United States across thirteen states, with 30 of the 35 student housing properties having been developed by Copper Beech. As of the date of the CB Portfolio Acquisition, the CB Portfolio comprised approximately 6,242 rentable units with approximately 16,645 rentable beds. As of the date of the CB Portfolio Acquisition, the student housing properties had an average age of approximately 7.2 years.

Our investment in the CB Portfolio entitles us to a preferred payment of \$13.0 million for the first year of our investment and 48% of remaining operating cash flows. In connection with the CB Portfolio Acquisition, we loaned approximately \$31.7 million to the CB Investors, which was repaid in connection with the Amendment to the Purchase Agreement (as described below). The loan had an interest rate of 8.5% per annum and a term of three years, and was secured by the CB Investors' interests in six unencumbered properties in the CB Portfolio (see Amendment to Copper Beech Purchase Agreement below for further discussion).

We recognized approximately \$(3.8) million in equity in losses of Copper Beech as well as approximately \$1.4 million in interest income from the loan to the CB Investors for the year ended December 31, 2013. Additionally, we recognized approximately \$1.1 million of transaction expenses related to the CB Portfolio Acquisition and incurred \$16.9 million of costs which were included in our investment basis in Copper Beech for the year ended December 31, 2013.

The following summary of selected unaudited proforma results of operations presents information as if our 48.0% ownership interest in 37 properties was held from January 1, 2013, through September 30, 2013, and our 67% ownership interest in 30 properties was held from October 1 2013, through December 31, 2013, and the issuance of 25.5 million shares of common stock required to execute the acquisition had occurred as of January 1, 2013. Included in these proforma results is approximately \$16.6 million of amortization expense related to in place lease intangible assets from January 1, 2013 through December 31, 2013. The unaudited pro forma information is provided for informational purposes only and is not indicative of results that would have occurred or which may occur in the future (in thousands, except per share amounts):

	(Unaudited) Year Ended December 31, 2013
Revenues	\$ 142,319
Net income	1,802
Net income (loss) attributable to common stockholders	(4,347)
Net income (loss) per share attributable to common stockholders - basic and diluted:	\$ (0.07)
Weighted-average common shares outstanding:	
Basic	64,099
Diluted	64,535

#### ***Amendment to Copper Beech Purchase Agreement***

On September 30, 2013 and effective subject to the receipt of required third party consents, we entered into an Amendment (the "Amendment") to the Purchase Agreement. As consideration for entering into the Amendment, we paid the CB Investors \$4.0 million.

Pursuant to the terms of the Amendment, following receipt of required third party consents, we will transfer our 48.0% interest in five properties in the Copper Beech Portfolio (Copper Beech Auburn, Copper Beech Kalamazoo Phase 1, Copper Beech Kalamazoo Phase 2, Copper Beech Oak Hill and Copper Beech Statesboro Phase 1) back to the CB Investors and defer the acquisition of the two Phase II development properties (Cooper Beech Mt. Pleasant Phase 2 and Cooper Beech Statesboro Phase 2) until August 18, 2014 as consideration for an additional 19.0% interest in each of the remaining 30 properties in the Copper Beech Portfolio (the "Initial Copper Beech Properties"). Following

the transfer of such properties, we will hold a 67.0% interest in each of 30 properties in the Copper Beech Portfolio, with the CB Investors holding the remaining 33.0% interest.

In addition, under the terms of the Amendment, we have the option, exercisable from March 18, 2014 through August 18, 2014, to acquire an 18.0% interest in each of the seven properties whose acquisition is being deferred (collectively, the “Deferred Copper Beech Properties”), which will entitle us to 33.0% of the operating cash flows of such Deferred Copper Beech Properties. The purchase price for the exercise of this option is approximately \$16.9 million. In order to exercise this option, we must also exercise the option to acquire an additional 18.0% interest in the Initial Copper Beech Properties, which is described below.

The Amendment was accounted for as a nonmonetary exchange. The interests in the five properties transferred were accounted for by the Company as investments under the equity method prior to the exchange. No gain or loss was recognized as a result of the transaction.

The Amendment also amends our options to acquire additional interests in the Copper Beech Portfolio as follows:

- Beginning March 18, 2014 through August 18, 2014, we have the option to acquire an additional 18.0% interest in the Initial Copper Beech Properties, increasing our aggregate interest in such properties to 85.0%, which will entitle us to 100% of the operating cash flows of the Initial Copper Beech Properties. The aggregate purchase price for the exercise of this purchase option is approximately \$93.5 million plus debt repayment of approximately \$21.0 million.
- Through May 2015, we have the option to acquire an additional 3.9% interest in the Initial Copper Beech Properties and an additional 70.9% interest in the Deferred Copper Beech Properties, increasing our aggregate interest in all 37 properties in the Copper Beech Portfolio to 88.9%, which will entitle us to 100% of the operating cash flows of the Initial Copper Beech Properties and the Deferred Copper Beech Properties. The aggregate purchase price for the exercise of this purchase option is approximately \$100.7 million plus debt repayment of approximately \$19.0 million.

Through May 2016, we have the option to acquire an additional 11.1% interest in the Copper Beech Portfolio, increasing our aggregate interest to 100%. The aggregate purchase price for the exercise of this purchase option is approximately \$53.4 million.

We do not have any obligation to exercise any of these purchase options. If we elect to exercise any of the purchase options, we are not obligated to exercise any subsequent purchase options. In the event we do not elect to exercise a purchase option, we will lose the right to exercise future purchase options. If the first purchase option is not exercised, we will be entitled to a 48.0% interest in all 37 properties in the CB Portfolio and will be entitled to 48.0% of operating cash flows and 45.0% of the proceeds of any sale of any portion of the CB Portfolio. If the first purchase option is exercised but the second purchase option is not exercised, we will be entitled to a 75.0% interest in all 37 properties in the CB Portfolio and will be entitled to 75.0% of operating cash flows and 70.0% of the proceeds of any sale of any portion of the CB Portfolio. If the second purchase option is exercised but the third purchase option is not exercised, we will retain our 88.9% interest in the CB Portfolio and will be entitled to 88.9% of both operating cash flows and the proceeds of any sale of any portion of the CB Portfolio.

In connection with the Amendment, in October 2013, the Sellers repaid the entire principal balance of \$31.7 million outstanding under the loans previously provided by us.

Both we and the CB Investors hold joint approval rights for major decisions, including those regarding property acquisition and disposition as well as property operation. As such, we hold a noncontrolling interest in the CB Portfolio and accordingly apply the equity method of accounting. As of December 31, 2013, we held a 67% effective interest in 28 operating properties and two non-operating properties in the CB Portfolio.

#### ***Toledo, Ohio Acquisition***

In March 2013, we acquired 100% of the ownership interests in Campus Crest at Toledo, Ohio, a 382 unit and 629 bed property on the campus of the University of Toledo for approximately \$13.8 million. The following table is an allocation of the purchase price (in thousands):

Land	\$ 2,237
In-place leases	469
Buildings and improvements	10,114
Furniture and fixtures	102
Other	879
	\$ 13,801

#### ***Montreal, Quebec Acquisitions***

In July 2013, we entered into a joint venture, DCV Holdings, LP (“DCV Holdings”) with Beaumont Partners SA (“Beaumont”) to acquire a 711 room, 33-story hotel in downtown Montreal, Quebec, Canada, for approximately CAD 60.0 million. The joint venture intends to convert the property into an upscale student housing tower featuring a mix of single and double units serving McGill University, Concordia University and L’Ecole de Technologie. In January 2014, DCV Holdings completed the acquisition of another hotel property, which is planned to be converted into an upscale student housing property serving McGill University.

In December 2013, we and Beaumont formed a holding company, CSH Montreal LP (“CSH Montreal”), and DCV Holdings was subsequently contributed to CSH Montreal LP, such that CSH Montreal LP became the sole limited partner in DCV Holdings. In addition, following the insertion of CSH Montreal LP as the holding company in the joint venture arrangement, CSH Montreal LP acquired ownership of HIM Holdings LP (“HIM Holdings”), an entity formed to facilitate the acquisition of the Holiday Inn property in Canada (see Note 18). As of December 31, 2013,

we owned a 20.0% interest in CSH Montreal, the holding company of DCV Holdings.

***Operating Property Acquisitions***

In July 2012, we acquired the remaining ownership interests in The Grove at Moscow, Idaho, and The Grove at Valdosta, Georgia, for approximately \$16.8 million, and repaid the mortgage debt secured by these properties. Prior to this transaction, The Grove at Moscow, Idaho, was owned by HSRE-Campus Crest I, LLC, of which we owned 49.9% and HSRE owned the remaining 50.1%, and The Grove at Valdosta, Georgia, was owned by HSRE-Campus Crest IV, LLC, of which we owned 20.0% and HSRE owned the remaining 80.0%. Prior to this transaction, we accounted for our ownership interest in the two properties under the equity method. In connection with recording our purchase of the remaining interests in the properties, we recognized a net gain of approximately \$6.6 million related to the re-measurement of our previously held equity interests in the properties at the acquisition date. The gain is included in the gain on purchase of previously unconsolidated entities in the accompanying consolidated statements of operations and comprehensive income (loss).

The following table is an allocation of the purchase price for The Grove at Moscow and The Grove at Valdosta (in thousands):

Land	\$ 3,401
In-place leases	388
Buildings and improvements	49,911
Furniture and fixtures	1,708
Other	974
Debt repaid at time of purchase	(27,299)
	29,083
Less estimated fair value of interest owned prior to acquisition	(12,320)
	\$ 16,763

In-place lease intangible assets are amortized on a straight-line basis over the average remaining term of the underlying leases, generally one year or less. Amortization expense was approximately \$0.5 million, \$1.0 million and \$0.9 million for the years ended December 31, 2013, 2012 and 2011, respectively. The amortization of intangible assets is included in depreciation and amortization expense in the accompanying consolidated statements of operations and comprehensive income (loss).

#### ***Acquisition of Properties Under Development***

During the year ended December 31, 2013, we acquired land at nine project sites. The purchase price for these nine sites totaled approximately \$32.4 million and were located in Philadelphia, Pennsylvania; Louisville, Kentucky; Greensboro, North Carolina; Ames, Iowa as well as other locations in the United States. During 2013, we contributed our investment in the land, development and construction in the Philadelphia, Pennsylvania project to a joint venture with Brandywine and HSRE. The project sites in Louisville, Kentucky, and Greensboro, North Carolina, were contributed in to a joint venture with HSRE during 2013. The investment in Ames, Iowa is a development project in conjunction with Copper Beech.

During the year ended December 31, 2012, we acquired land at three project sites. The purchase price for these three sites totaled approximately \$6.3 million. The project sites are located in Muncie, Indiana, Pullman, Washington and Indiana, Pennsylvania. During 2012, we contributed our investment in the land, development and construction in the Indiana, Pennsylvania project to a joint venture with HSRE (see Note 7).

#### **6. Asset Dispositions**

In December 2013, we sold to a third party four unencumbered, wholly-owned properties: The Grove at Jacksonville, Alabama, The Grove at Jonesboro, Arkansas, The Grove at Wichita, Kansas, and The Grove at Wichita Falls, Texas, for a combined sales price of \$51.0 million resulting in net proceeds of approximately \$48.6 million after adjusting for credits, prorations, and transaction costs. In connection with the disposition of these properties, we recorded an impairment of \$4.7 million which is presented in discontinued operations in the accompanying consolidated statements of operations and comprehensive income (loss) for the year ended December 31, 2013. These properties were included in our student housing properties segment.

Below is a summary of the results of operations for the properties through the date of disposition for all periods presented (in thousands):

Year Ended December 31,		
2013	2012	2011



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Revenue	\$ 9,754	\$ 8,993	\$ 8,599
Operating expenses	5,354	5,184	4,960
Operating income	4,400	3,809	3,639
Depreciation and amortization	2,672	3,144	3,566
Net income	\$ 1,728	\$ 665	\$ 73
Impairment on discontinued operations	(4,729)	-	-
Income (loss) from discontinued operations	\$ (3,001)	\$ 665	\$ 73

**7. Investments in Unconsolidated Entities**

We have investments in real estate ventures with Copper Beech, HSRE, Beaumont, and other joint venture partners that we do not consolidate. These joint ventures are engaged primarily in developing, constructing, owning and managing student housing properties. Both we and our joint venture partners hold joint approval rights for major decisions, including those regarding property acquisition and disposition as well as property operation. As such, we hold noncontrolling interests in these joint ventures and account for them under the equity method of accounting.

We act as the operating member and day-to-day manager for our joint ventures with HSRE and are entitled to receive fees for providing development and construction services (as applicable) and management services. We recognized revenues of approximately \$51.1 million, \$54.3 million, and \$35.1 million in fees for the years ended December 31, 2013, 2012 and 2011, respectively, for services provided to the ventures, which are reflected in development, construction and management services revenue in the accompanying consolidated statements of operations.

In July 2013, we entered into a joint venture, DCV Holdings, with Beaumont to acquire a 711 room, 33-story hotel in downtown Montreal, Quebec, Canada, for approximately CAD 60.0 million. The joint venture intends to convert the property into an upscale student housing tower featuring a mix of single and double units serving McGill University, Concordia University and L'Ecole de Technologie. In January 2014, DCV Holdings closed on another hotel property which is planned to be converted in to an upscale student housing property serving McGill University. Both of these projects are expected to be delivered for the 2014-2015 academic year.

In March 2013, we entered into a joint venture agreement with HSRE, HSRE-Campus Crest X, LLC ("HSRE X"), to develop and operate additional purpose-built student housing properties. HSRE X is currently building two new student housing properties with completion targeted for the 2014-2015 academic year. The properties, located in Louisville, Kentucky and Greensboro, North Carolina are expected to have approximately 1,200 beds and have an estimated cost of \$65.6 million. We own a 30% interest in this joint venture and affiliates of HSRE own the balance.

We are the guarantor of the construction and mortgage debt of our joint ventures with HSRE and DCV Holdings. Detail of our unconsolidated investments at December 31, 2013 is presented in the following table (dollars in thousands):

	Our	Year	Number of Properties		Our Total	Debt		Weighted	
Unconsolidated Entities	Ownership	Founded	In	Under	Investment	Amount	Outstanding	Average	Maturity
			Operation	Development			Rate	Interest	
HSRE-Campus Crest I, LLC	49.9	% 2009	3	–	\$ 10,584	\$ 32,704	2.67	%	(1) 2/9/14
HSRE-Campus Crest IV, LLC	20.0	% 2011	1	–	1,915	16,839	5.75	%	(2) 3/1/14
HSRE-Campus Crest V, LLC	10.0	% 2011	3	–	3,990	49,058	2.88	%	(1) 12/2/14
HSRE-Campus Crest VI, LLC	20.0	% 2012	3	–	13,562	32,998	2.53	%	(1) 5/08
HSRE-Campus Crest IX, LLC	30.0	% 2013	–	1	18,540	966	2.37	%	(1) 7/25
HSRE-Campus Crest X, LLC	30.0	% 2013	–	2	7,783	-	n/a		n/a
CB Portfolio	67.0	% 2013	28	1	261,592	392,458	5.65	%	(3) 6/01
DCV Holdings, LP (4)	20.0	% 2013	–	2	5,337	32,881	3.72	%	1/31
Other	20.0	% 2013	–	–	1,535	-	n/a		n/a
Total Unconsolidated Entities			38	6	\$ 324,838	\$ 557,904	4.93	%	

(1) Variable interest rates.

(2) Comprised of one fixed rate loan. In January 2014, we acquired the outstanding ownership of The Grove at Denton, Texas.

(3) Comprised of fixed rate debt.

In January 2014, DCV Holdings completed the acquisition of an additional re-development property in Montreal, Canada, evo à Sherbrooke, at which time our ownership percentage in CSH Montreal, the holding company that<sup>(4)</sup> owns DCV Holdings, increased to 35% (see Note 18). Effective December 31, 2013, the debt previously held by the Company was assumed by an affiliate of the joint venture and refinanced in January 2014.

We recorded equity in earnings (losses) from these joint ventures for the years ended December 31, 2013, 2012, and 2011 of approximately \$(3.7) million, \$0.4 million, and \$(1.2) million, respectively.

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The following is a summary of the combined financial position of our unconsolidated entities with HSRE and other non-Copper Beech joint venture partners in their entirety, not only our interest in the entities, for the periods presented (in thousands):

	As of December 31,	
	2013	2012
<b>Assets</b>		
Student housing properties, net	\$ 289,797	\$ 143,108
Development in process	81,994	31,940
Other assets	15,341	8,214
Total assets	\$ 387,132	\$ 183,262
<b>Liabilities and Equity</b>		
Mortgage and construction loans	\$ 165,445	\$ 92,456
Other liabilities	58,948	30,402
Owners' equity	162,739	60,404
Total liabilities and owners' equity	\$ 387,132	\$ 183,262
Company's share of historical owners' equity	\$ 41,390	\$ 14,078
Preferred investment <sup>(1)</sup>	16,468	11,828
Net difference in carrying value of investment versus net book value of underlying net assets <sup>(2)</sup>	5,568	(3,351)
Carrying value of investment in HSRE and other non-Copper Beech entities	\$ 63,426	\$ 22,555

- (1) As of December 31, 2013, we had a Class B member interest in The Grove at San Angelo, Texas, The Grove at Indiana, Pennsylvania, and The Grove at Conway, Arkansas, of approximately \$2.7 million, \$2.7 million and \$6.4 million, respectively. In 2013, we acquired additional Class B member interests in two joint venture properties with HSRE that are under construction with anticipated delivery for the 2014-2015 academic year. As of December 31, 2013, our interest in The Grove at Greensboro, North Carolina, and The Grove at Louisville, Kentucky, were approximately \$2.7 million and \$1.9 million, respectively. As of December 31, 2012, we had a Class B member interest in The Grove at San Angelo, Texas, The Grove at Indiana, Pennsylvania, and The Grove at Conway, Arkansas of approximately \$2.7 million, \$2.7 million and \$6.4 million, respectively. These preferred interests entitle us to a 9.0% return on our investment and do not change our effective ownership interest in these properties.

- (2) This amount represents the aggregate difference between our historical cost basis and the basis reflected at the entity level, which is typically amortized over the life of the related asset. The basis differential occurs primarily due to the difference between the allocated value to acquired entity interests and the venture's basis in those interests and the capitalization of additional investment in the unconsolidated entity.

ASC 323 Investments – Equity Method and Joint Ventures and Article 4.08(g) of Regulation S-X requires summarized financial information of material investments accounted for under the equity method be provided of the investee's financial position and results of operations including assets, liabilities and results of operations under the investee's historical cost basis of accounting. Notwithstanding the extensive efforts of the Company and Copper Beech to compile the necessary financial information, we have determined that the information needed for the preparation of historical financial statements of the CB Portfolio to satisfy these requirements is not available or otherwise sufficiently reliable. As a result, we have elected to present financial information on our investment in Copper Beech on a fair value basis as of December 31, 2013 as we believe this information is reliable and relevant to the users of our financial statements. Further, although we acknowledge that the information provided does not comply with all of the provisions of ASC 323 or Article 4.08(g) of Regulation S-X, we do not believe that the lack of the omitted disclosures, or the fair value information provided results in a material omission or misstatement of the Company's consolidated financial statements taken as a whole.

The following is a summary of the financial position of our investment in Copper Beech in its entirety for the 30 properties in the CB Portfolio, at fair value as of December 31, 2013 (in thousands):

	December 31, 2013
Assets	
Student housing properties, net	\$ 748,280
Intangible assets	37,100
Other assets	5,201
Total assets	\$ 790,581
Liabilities and Equity	
Mortgage and construction loans	\$ 421,239
Other liabilities	13,112
Owners' equity	356,230
Total liabilities and owners' equity	\$ 790,581
Company's share of owners' equity	\$ 244,964
Net difference in carrying value of investment versus net book value of underlying net assets <sup>(1)</sup>	16,628
Carrying value of investment in Copper Beech	\$ 261,592

- (1) This amount represents the aggregate difference between our historical cost basis and the basis reflected at the entity level, which is typically amortized over the life of the related asset. The basis differential occurs primarily due to the difference between the allocated value to acquired entity interests and the venture's basis in those interests and the capitalization of additional investment in the unconsolidated entity.

The following is a summary of the combined operating results for our unconsolidated entities with HSRE and other non-Copper Beech joint venture entities in their entirety, not only our interest in the entities, for the periods presented (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Revenues	\$ 23,422	\$ 17,934	\$ 18,089
Expenses:			
Operating expenses	17,434	9,665	9,585
Interest expense	5,025	4,962	6,671
Depreciation and amortization	6,304	4,807	5,056
Total expenses	28,763	19,434	21,312
Net loss	\$ (5,341)	\$ (1,500)	\$ (3,223)

The following is a summary of the operating results for our unconsolidated entity, Copper Beech, in its entirety, not only our interest in the entity. The summary includes the results for 37 properties from March 18, 2013 through September 30, 2013, and the results for 30 properties from October 1, 2013 through December 31, 2013. Included in the results are adjustments related to purchase accounting.

	Period from March 18, 2013 to December 31, 2013
Revenues	\$ 67,545
Expenses:	
Operating expenses	28,316
Interest expense	11,852
Depreciation and amortization	56,106
Total expenses	96,274
Net loss	\$ (28,729)

## 8. Debt

The following is a summary of our mortgage and construction notes payable, the Credit Facility (defined below), Exchangeable Senior Notes (defined below), and other debt (in thousands):

	December 31, 2013	December 31, 2012
Fixed-rate mortgage loans	\$ 165,393	\$ 166,706
Variable-rate mortgage loans	-	12,635
Construction loans	40,138	38,996
Line of credit	108,500	72,000
Exchangeable senior notes	96,758	-

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Other debt

	2,694	3,375
\$	413,483	\$ 293,712

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***Mortgage and Construction Loans***

Mortgage and construction loans are collateralized by properties and their related revenue streams. Mortgage loans are not cross-defaulted or cross-collateralized with any other indebtedness. Our mortgage loans generally may not be prepaid prior to maturity; however, in certain cases, prepayment is allowed subject to prepayment penalties. Our construction note agreements contain representations, warranties, covenants (including financial covenants upon commencement of operations) and other terms that are customary for construction financing. Construction loans are generally secured by a first deed of trust or mortgage on each property, primary UCC filings, and an assignment of rents, leases and profits from the respective property. Mortgage and construction loans for the periods presented consisted of the following (in thousands):

	Face Amount	Principal Outstanding at 12/31/2013	Principal Outstanding at 12/31/2012	Stated Interest Rate	Interest Rate at 12/31/2013	Maturity Date <sup>(1)</sup>	Amortization
<b>Construction loans</b>							
The Grove at Muncie	\$ 14,567	\$ 12,237	\$ 1	LIBOR + 225 bps	2.42	% 7/3/2015	Interest only
The Grove at Fort Collins	19,073	17,228	1	LIBOR + 190 bps	2.07	% 7/13/2015	Interest Only
The Grove at Pullman	16,016	10,673	-	LIBOR + 220 bps	2.37	% 9/5/2015	Interest Only
The Grove at Slippery Rock	17,961	-	-	Base Rate + 115 bps / LIBOR + 215 bps	2.32	% 6/21/2016	Interest only
The Grove at Grand Forks	16,916	-	-	LIBOR + 200 bps	2.17	% 2/5/2017	Interest only
The Grove at Orono	-	-	10,506	LIBOR + 250 bps	-	-	Interest only <sup>2</sup>
The Grove at Auburn	-	-	13,157	LIBOR + 295 bps	-	-	Interest only <sup>2</sup>
The Grove at Flagstaff	-	-	15,331	Prime + 25 bps / LIBOR + 250 bps	-	-	Interest only <sup>2</sup>
<b>Mortgage loans</b>							
The Grove at Milledgeville	16,250	15,847	16,041	6.12%	6.12	% 10/1/2016	30 years <sup>3</sup>
The Grove at Carrollton and The Grove at Las Cruces	29,790	29,052	29,408	6.13%	6.13	% 10/11/2016	30 years <sup>3</sup>
The Grove at Asheville	14,800	14,500	14,684	5.77%	5.77	% 4/11/2017	30 years <sup>3</sup>
The Grove at Ellensburg	16,125	16,070	16,125	5.10%	5.10	% 9/1/2018	30 years <sup>3</sup>
The Grove at Nacogdoches	17,160	17,100	17,160	5.01%	5.01	% 9/1/2018	30 years <sup>4</sup>
	15,233	15,194	15,233	4.29%	4.29	% 10/1/2018	30 years <sup>3</sup>



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The Grove at Greeley									
The Grove at Clarksville	16,350	16,350	16,350	4.03%	4.03	%	7/1/2022	30 years	4 5
The Grove at Columbia	23,775	23,180	23,605	3.83%	3.83	%	7/1/2022	30 years	6
The Grove at Statesboro	18,100	18,100	18,100	4.01%	4.01	%	1/1/2023	30 years	3
The Grove at Huntsville	-	-	12,635	LIBOR + 250 bps	-	-	-	Interest only	2
		\$ 205,531	\$ 218,337						

For the construction loans, the maturity date is the stated maturity date in the respective loan agreements, which (1) can be extended for an additional one to two years, subject to the satisfaction of certain conditions, depending on the loan.

(2) Loan was repaid in full during the year ended December 31, 2013.

Loans require interest only payments, plus certain reserves and escrows, that are payable monthly for a period of (3) five years. Monthly payments of principal and interest, plus certain reserve and escrow amounts, are due thereafter until maturity when all principal is due.

(4) Interest only for the first two years, followed by 30 year amortization.

(5) Loan requires interest only payments, plus certain reserves and escrows payable monthly through August 2014, thereafter, principal and interest, plus certain reserves and escrows that are payable monthly until maturity.

(6) Loan requires monthly payments of principal and interest, plus certain reserve and escrows, until maturity when all principal is due.

### *Line of Credit*

In January 2013, we entered into the second amended and restated credit agreement (the "Second Amended and Restated Credit Agreement"), which provides for a \$250 million senior unsecured revolving credit facility (the "Revolving Credit Facility") and a \$50 million term loan (the "Term Loan", together with the "Revolving Credit Facility", the "Amended Credit Facility"). Additionally, under certain circumstances, there is an accordion feature that allows us to request an increase in the total commitments of an additional \$300.0 million to a total commitment of \$600.0 million. The Second Amended and Restated Credit Facility will mature in January 2017 and contains a one-year extension option, subject to certain terms and conditions. Amounts outstanding under the Second Amended and Restated Credit Facility bore interest at a floating rate equal to, at our election, the Eurodollar Rate or the Base Rate (each as defined in the Amended Credit Facility) plus a spread. The spread for borrowings Revolving Credit Facility ranges from 1.75% to 2.50% for Eurodollar Rate based borrowings and from 0.75% to 1.50% for Base Rate based borrowings, and the spread for the Term Loan ranges from 1.70% to 2.45% for Eurodollar Rate based borrowings and from 0.70% to 1.45% for Base Rate based borrowings. At December 31, 2013, the interest rate on the Revolving Credit Facility borrowings and Term Loan was 2.68% and 2.63%.

We incur an unused fee on the balance between the amount available under the Revolving Credit Facility and the amount outstanding under the Revolving Credit Facility (i) of 0.30% per annum if our average borrowing is less than 50.0% of the total amount available or (ii) 0.25% per annum if our average borrowing is greater than 50.0% of the total amount available.

The amount available for us to borrow under the Amended Credit Facility is based on the sum of (a) the lesser of (i) 60.0% of the "as-is" appraised value of our properties that form the borrowing base of the Amended Credit Facility and (ii) the amount that would create a debt service coverage ratio of not less than 1.5, and (b) 50% of the aggregate of the lesser of (i) the book value of each of our development assets (as such term is defined in the Second Amended and

Restated Credit Agreement) and (ii) the “as-is” appraised value of each of our development assets, subject to certain limitations in the Second Amended and Restated Credit Agreement.

Our ability to borrow under the Amended Credit Facility is subject to its ongoing compliance with a number of customary financial covenants, including:

- a maximum leverage ratio of not greater than 0.60:1.00;
- a minimum fixed charge coverage ratio of not less than 1.50:1.00;
- a minimum ratio of fixed rate debt and debt subject to hedge agreements to total debt of not less than 66.67%;
- a maximum secured recourse debt ratio of not greater than 20%;
- a minimum tangible net worth of not less than the sum of \$330,788,250 plus an amount equal to 75% of the net proceeds of any additional equity issuances; and
- a maximum secured debt ratio of not greater than 50% through February 17, 2013 and not greater than 45% on any date thereafter.

Pursuant to the terms of the Amended Credit Facility, we may not pay distributions that exceed the greater of (i) 95.0% of our funds from operations, or (ii) the minimum amount required for us to qualify and maintain our status as a REIT. If a default or event of default occurs and is continuing, we also may be precluded from making certain distributions (other than those required to allow us to qualify and maintain our status as a REIT).

During 2013, we had several amendments to the Second Amended and Restated Credit Agreement. In February 2013, we amended the Second Amended Credit Facility to provide for certain exclusions related to our investments in joint ventures as well as the treatment of certain other investments within the compliance calculation of our secured debt ratio and certain negative covenants.

In April 2013, as a result of the CB Portfolio Acquisition, we received a waiver from our lender group allowing for distributions up to, and not to exceed, 110.0% of our funds from operations for the remainder of 2013.

In June 2013, in connection with our investment in our joint venture with Beaumont to acquire a property in Montreal, Quebec, Canada (see Note 16), we received a waiver from our lender group allowing us to guarantee debt incurred by our subsidiary, Campus Crest at Montreal I, LLC, to fund such investment.

We and certain of our subsidiaries guarantee the obligations under the Amended Credit Facility and we and certain of our subsidiaries have provided a negative pledge against specified assets (including real property), stock and other interests.

As of December 31, 2013, we had approximately \$58.5 million outstanding under our Revolving Credit Facility and \$50.0 million outstanding under the Term Loan. The amounts outstanding under our Revolving Credit Facility and Term Loan, as well as outstanding letters of credit of \$5.2 million, will reduce the amount that we may be able to borrow under this facility for other purposes. As of December 31, 2013, we had approximately \$154.1 million in borrowing capacity under our Revolving Credit Facility, and amounts borrowed under the facility will be due at its maturity on January 8, 2017, subject to a one-year extension, which we may exercise at our option, pursuant to certain terms and conditions, including the payment of an extension fee.

### ***Exchangeable Senior Notes***

In October 2013, the Operating Partnership issued \$100.0 million of Exchangeable Senior Notes (the "Exchangeable Senior Notes") which bear interest at 4.75% per annum. Interest is payable on April 15 and October 15 of each year beginning April 15, 2014 until the maturity date of October 15, 2018. The Operating Partnership's obligations under the Exchangeable Senior Notes are fully and unconditionally guaranteed by the Company. The Exchangeable Senior Notes are senior unsecured obligations of the Operating Partnership and rank equally in right of payment with all other existing and future senior unsecured indebtedness of the Operating Partnership.

The Exchangeable Senior Notes contain an exchange settlement feature which allows the holder, under certain circumstances, to exchange its Exchangeable Senior Notes for cash, shares of the Company's common stock or a combination of cash and shares of common stock, at the option of the Operating Partnership, based on an initial exchange rate of 79.602 shares of common stock per \$1,000 principal amount of Exchangeable Senior Notes. At the initial exchange rate, the Exchangeable Senior Notes are exchangeable for common stock at an exchange price of approximately \$12.56 per share of common stock.

The Exchangeable Senior Notes will be exchangeable by the holder under the following circumstances on or prior to July 15, 2018: i) during any calendar quarter beginning after December 31, 2013 (and only during such quarter) if the closing sale price of the common stock, \$0.01 par value per share, of Campus Crest Communities, Inc., or Campus Crest, is more than 130% of the then-current exchange price for at least 20 trading days (whether or not consecutive) in the period of the 30 consecutive trading days ending on the last trading day of the previous calendar quarter; ii) during the five consecutive business-day period following any five consecutive trading-day period in which the trading price per \$1,000 principal amount of notes for each trading day during such five trading-day period was less than 98% of the closing sale price of the common stock of Campus Crest, or Campus Crest common stock, for each trading day during such five trading-day period multiplied by the then current exchange rate; or iii) upon the occurrence of specified corporate transactions described in this offering memorandum. On or after July 15, 2018, and on or prior to the second scheduled trading day immediately preceding the maturity date, the holder may exchange their notes without regard to the foregoing conditions. Following certain corporate transactions that occur prior to maturity of the notes and that also constitute a make-whole fundamental change, the Operating Partnership will increase the exchange rate for holders who elect to exchange notes in connection with such make-whole fundamental change in certain circumstances. If specified fundamental changes involving us or Campus Crest occur, holders may require the operating partnership to repurchase the notes for cash at a price equal to 100% of the principal amount of the notes to be purchased plus any accrued and unpaid interest to, but excluding, the repurchase date.

The Operating Partnership may not redeem the Exchangeable Senior Notes prior to the maturity date. At any time prior to July 15, 2018, we may irrevocably elect, in our sole discretion without the consent of the holders of the Exchangeable Senior Notes, to settle all of the future exchange obligation entirely in shares of our common stock. On or after July 15, 2018, the Notes will be exchangeable at any time prior to the close of business on the second business day immediately preceding the maturity date.

In connection with the issuance of the Exchangeable Senior Notes, we recorded approximately \$96.6 million within line of credit and other debt on the accompanying consolidated balance sheet, based on the fair value of the instrument at the time of issuance, and approximately \$3.3 million in additional paid-in-capital, net of offering costs, in the accompanying consolidated statements of changes in equity. The difference between the \$100.0 million face amount and the \$96.6 million will be amortized over the five year period ended October 15, 2018.

**Other Debt**

In June 2013, we entered into a \$33.4 million (CAD 35.0 million) unsecured note payable in connection with our acquisition of a hotel in Montreal, Quebec, Canada. The note payable provided for interest-only payments at a variable interest rate equal to the Canadian Dealer Offered Rate (“CDOR”), which was 1.22% at December 31, 2013, plus a spread of 2.50%. As of December 31, 2013, this facility was assigned to and assumed by CSH Montreal LP, an affiliate of DCV Holdings LP. We remain the guarantor on the facility.

**Schedule of Debt Maturities**

Scheduled debt maturities for each of the five years subsequent to December 31, 2013 and thereafter, are as follows (in thousands):

2014	\$ 2,437
2015	42,845
2016	45,883
2017	124,455
2018	146,584
Thereafter	54,521
	416,725
Debt discount	(3,242)
Outstanding as of December 31, 2013, net of debt discount	\$ 413,483

Amortization of deferred financing costs was approximately \$1.8 million, \$2.8 million, and \$1.3 million for the years ended December 31, 2013, 2012, and 2011, respectively.

**9. Derivative Instruments and Hedging Activities**

We use variable rate debt to finance our construction of student housing properties. These debt obligations expose us to variability in cash flows due to fluctuations in interest rates. We use derivative instruments to limit variability for a portion of our interest payments and to manage exposure to interest rate risk.

As of December 31, 2013 and December 31, 2012, the fair value of derivative contracts is recorded within other assets and other liabilities in the accompanying consolidated balance sheets. The effective portion of changes in fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive income (loss) and is subsequently reclassified to earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portion of changes in fair value of derivatives designated and that qualify as cash flow hedges is recorded in earnings. If a derivative is either not designated as a hedge or if hedge accounting is discontinued, all changes in fair value of the derivative are recorded in earnings.

The following is a summary of the derivative instruments we entered into for the periods presented (in thousands):

Derivative Agreement	As of December 31, 2013		Pay or Strike Rate	Maturity Date	December 31, 2013		December 31, 2012	
	Notional Amount	Receive Rate			Asset	Liability	Asset	Liability
Interest rate cap	100,000	1 Month LIBOR	2.50 %	January 2014	\$ -	\$ -	\$ -	\$ -
Interest rate cap	50,000	1 Month LIBOR	2.50 %	January 2014	-	-	-	-

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Interest rate cap	50,000	1 Month LIBOR	2.50 %	January 2014	-	-	-	-
Interest rate cap	18,762	1 Month LIBOR	1.25 %	April 2013	-	-	-	-
Interest rate swap	18,762	1 Month LIBOR	1.39 %	April 2013	-	-	-	(73)
					\$ -	\$ -	\$ -	\$ (73)

The table below details the location in the financial statements of the gain or loss recognized on interest rate derivatives designated as cash flow hedges for years ended December 31, 2013 and 2012, respectively (in thousands):

	Year Ended	
	December 31, 2013	December 31, 2012
Amount of gain (loss) recognized in accumulated other comprehensive income on interest rate derivatives (effective portion)	\$ -	\$ 154
Amount of gain (loss) reclassified from accumulated other comprehensive income into income as interest expense (effective portion)	\$ (58)	\$ (216)

Derivatives not designated as hedges are not speculative and are used to manage our exposure to interest rate movements and other identified risks but do not meet the strict hedge accounting requirements. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings. We recorded an insignificant loss related to derivatives not designated in hedging relationships in earnings for both of the years ended December 31, 2013 and 2012.

## 10. Fair Value Disclosures

Fair value guidance for financial assets and liabilities that are recognized and disclosed in the consolidated financial statements on a recurring basis and nonfinancial assets on a nonrecurring basis establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are as follows:

*Level 1* Observable inputs, such as quoted prices in active markets at the measurement date for identical, unrestricted assets or liabilities.

*Level 2* Other inputs that are observable directly or indirectly, such as quoted prices in markets that are not active or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability.

*Level 3* Unobservable inputs for which there is little or no market data and which we make our own assumptions about how market participants would price the asset or liability.

As of December 31, 2013 and 2012, our financial assets and liabilities carried at fair value on a recurring basis consisted of our interest rate caps and interest rate swaps. The fair value of interest rate swaps is determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. We incorporate credit valuation adjustments to appropriately reflect our own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of derivative contracts for the effect of nonperformance risk, we consider the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds and guarantees.

Interest rate caps and interest rate swaps measured at fair value for the periods presented are as follows (in thousands):

Quoted Prices in Active Markets for Identical Assets and	Significant Other Observable	Significant Unobservable
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	Liabilities (Level 1)	Inputs (Level 2)	Inputs (Level 3)	Balance at end of Period
December 31, 2013 Other assets - Interest rate caps	\$ -	\$ -	\$ -	\$ -
December 31, 2013 Other liabilities - Interest rate swaps	\$ -	(73)	-	(73)



***Fair Value of Financial Instruments***

The fair value of a financial instrument represents the amount at which the instrument could be exchanged in a current transaction between market participants at the measurement date (exit price), other than in a forced sale or liquidation. In instances where inputs used to measure fair value fall into different levels of the fair value hierarchy, the level in the fair value hierarchy within which the fair value measurement in its entirety has been determined is based on the lowest level input significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement requires judgment and considers factors specific to the asset or liability.

Financial instruments consist primarily of cash, cash equivalents, restricted cash, student receivables, interest rate caps, interest rate swaps, accounts payable, mortgages, construction loans, Exchangeable Senior Notes, the line of credit and other debt. The carrying value of cash, cash equivalents, restricted cash, student receivables and accounts payable are representative of their respective fair values due to the short-term nature of these instruments. The estimated fair value of our revolving line of credit approximates the outstanding balance due to the frequent market based re-pricing of the underlying variable rate index. The estimated fair values of our mortgages, construction loans and Exchangeable Senior Notes were determined by comparing current borrowing rates and risk spreads to the stated interest rates and risk spreads and considering the underlying collateral, when relevant. The weighted average interest rate for all borrowings was 4.23% and 3.99% at December 31, 2013 and 2012, respectively.

The following is a summary of the fair value of our mortgages, construction loans payable, other debt and Exchangeable Senior Notes aggregated by the level in the fair value hierarchy within which those measurements fall (in thousands):

	Estimated Fair Value			Carrying Value
	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
December 31, 2013				
Fixed-rate mortgage loans	\$ -	\$ 161,379	\$ -	\$ 165,393
Variable-rate mortgage loans	-	-	-	-
Construction loans	-	40,258	-	40,138
Exchangeable senior notes	-	98,547	-	96,758
Other Debt	-	2,671	-	2,694
December 31, 2012				
Fixed-rate mortgage loans	-	172,228	-	166,706
Variable-rate mortgage loans	-	12,620	-	12,635
Construction loans	-	39,494	-	38,996
Other Debt	-	2,684	-	3,375

All of our nonrecurring valuations made in connection with property acquisitions in Note 5 and impairments in Notes 6 and 18 used significant unobservable inputs and, therefore, fall under Level 3 of the fair value hierarchy.

**11. Earnings per Share**

Basic earnings per share is computed by dividing net income (loss) attributable to common stockholders by the weighted average number of shares of our common stock outstanding during the period. All unvested stock-based

payment awards are included in the computation of basic earnings per share. The computation of diluted earnings per share includes OP Units and restricted OP Units in the weighted average shares. The conversion of Exchangeable Senior Notes was not included in the computation of diluted earnings per share because the conversion is anti-dilutive. Net income (loss) attributable to these noncontrolling interests is added back to net income (loss) available to common stockholders in the computation of diluted earnings per share unless the effect of their conversion is anti-dilutive in nature.

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Computations of basic and diluted income (loss) per share for the periods presented are as follows (in thousands, except per share data):

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
Basic earnings:			
Income from continuing operations	\$ 4,619	\$ 10,133	\$ 3,708
Preferred stock dividends	(6,183)	(4,114)	-
Income from continuing operations attributable to noncontrolling interests	(12)	41	50
Income from continuing operations attributable to common stockholders - basic	(1,552)	5,978	3,658
Income (loss) from discontinued operations	(3,001)	665	73
Income (loss) from discontinued operations attributable to noncontrolling interests	(22)	5	1
Income from discontinued operations attributable to common stockholders - basic	(2,979)	660	72
Net income (loss) attributable to common stockholders	\$ (4,531)	\$ 6,638	\$ 3,730
Weighted average common shares outstanding:			
Basic	59,984	34,781	30,717
Incremental shares from assumed conversion OP units	434	436	436
Diluted	60,418	35,217	31,153
Basic and diluted earnings per share:			
Income (loss) from continuing operations attributable to common stockholders - basic and diluted	\$ (0.03)	\$ 0.17	\$ 0.12
Income (loss) from discontinued operations attributable to common stockholders - basic and diluted	\$ (0.05)	\$ 0.02	\$ -
Net income (loss) attributable to common stockholders - basic and diluted	\$ (0.08)	\$ 0.19	\$ 0.12

## 12. Equity

### *Preferred Stock*

Our 8.0% Series A Cumulative Redeemable Preferred Stock (“Series A Preferred Stock”) ranks senior to our common stock with respect to dividend rights and rights upon the voluntary or involuntary liquidation, dissolution or winding up of our affairs. We pay cumulative dividends on the Series A Preferred Stock from the date of original issue at a rate

of 8.00% per annum of the \$25.00 liquidation preference per share (equivalent to the fixed annual rate of \$2.00 per share). Dividends on the Series A Preferred Stock are payable quarterly in arrears on or about the 15th day of January, April, July and October of each year.

We may not redeem the Series A Preferred Stock prior to February 9, 2017, except in limited circumstances relating to our ability to qualify as a REIT. On or after February 9, 2017, we may, at our option, redeem the Series A Preferred Stock, in whole or in part, at any time or from time to time, for cash at a redemption price of \$25.00 per share, plus all accrued and unpaid dividends on such Series A Preferred Stock to, but not including, the date of redemption. The Series A Preferred Stock has no maturity date and is not subject to mandatory redemption or any sinking fund. Holders of shares of the Series A Preferred Stock will generally have no voting rights except for limited voting rights if we fail to pay dividends for six or more quarterly periods (whether or not consecutive) and in certain other circumstances.

In February 2012, we completed an underwritten public offering of approximately 2,300,000 shares of our Series A Preferred Stock, including approximately 300,000 shares issued and sold pursuant to the exercise of the underwriters' overallotment option in full to purchase additional shares of the Series A Preferred Stock. The shares of Series A Preferred Stock were issued at a public offering price of \$25.00 per share, resulting in net proceeds of approximately \$54.9 million, after deducting the underwriting discount and other estimated offering expenses of approximately \$2.6 million. We used the net proceeds to repay approximately \$48.9 million of indebtedness outstanding under two construction loans which had been used as partial funding for the four properties that were delivered for the 2011-2012 academic year. We used the remaining proceeds for general corporate purposes, including funding properties currently under development.

In October 2013, we reopened our Series A Preferred Stock in an underwritten public offering of 3,800,000 shares, including 400,000 shares issued and sold pursuant to the partial exercise of the underwriters' option to purchase additional shares of the Series A Preferred Stock. The shares of Series A Preferred Stock were issued at a public offering price of \$25.0611 per share, resulting in net proceeds of approximately \$91.3 million, after deducting the underwriting discount and other estimated offering expenses of approximately \$4.0 million. We used the net proceeds, as well as the net proceeds from our issuance of Exchangeable Senior Notes (see Note 8), to repay approximately \$46.8 million of indebtedness outstanding under three construction loans, to pay down the Credit Facility and for general corporate purposes.

***Common Shares and OP Units***

An OP Unit and a share of our common stock have essentially the same economic characteristics as they share equally in the net income (loss) and distributions of the Operating Partnership. An OP Unit may be tendered for redemption for cash or share of common stock; however, we have sole discretion and must have a sufficient amount of authorized common stock to exchange OP Units for shares of common stock on a one-for-one basis.

In March 2013, we completed an underwritten public offering of approximately 25.5 million shares of common stock, including approximately 3.3 million shares issued and sold pursuant to the full exercise of the underwriters' option to purchase additional shares, resulting in net proceeds of approximately \$299.7 million. The net proceeds were used: (1) to fund our investment in the CB Portfolio and related transactional costs, including investment banking advisory fees (see Note 5); and (2) for general corporate purposes, including the repayment of debt.

In April 2013, the Board of Directors of the Company approved Articles of Amendment to the Company's Articles of Amendment and Restatement to increase the number of authorized shares of the Company to 550,000,000 shares of stock, consisting of 500,000,000 shares of common stock, \$0.01 par value per share, and 50,000,000 shares of preferred stock, \$0.01 par value per share.

In June 2013, we implemented an At-The-Market offering program under which we may sell at market price up to \$100.0 million in shares of the Company's common stock over the term of the program. At December 31, 2013, we had not issued and sold any shares under this program.

In July 2012, we completed an underwritten public offering of approximately 7.5 million shares of common stock, including approximately 1.0 million shares issued and sold pursuant to the full exercise of the underwriters' option to purchase additional shares, resulting in net proceeds of approximately \$72.2 million. The net proceeds were used to: (1) acquire the remaining ownership interests in The Grove at Moscow, Idaho and The Grove at Valdosta, Georgia that we did not already own, and to repay the mortgage debt secured by these properties; and (2) to reduce borrowings outstanding under the Credit Facility. Remaining net proceeds were used for general corporate purposes.

As of December 31, 2013, there were approximately 64.9 million OP Units outstanding, of which approximately 64.5 million, or 99.3%, were owned by us and approximately 0.4 million, or 0.7%, were owned by other partners, including certain of our executive officers. As of December 31, 2013, the fair market value of the OP Units not owned by us was \$4.1 million, based on a market value of \$9.41 per unit, which was the closing price per share of our common stock on the New York Stock Exchange on December 31, 2013.

The following is a summary of changes in the shares of our common stock for the periods shown (in thousands):

	For the Year Ended	
	December 31, 2013	December 31, 2012
Common shares at beginning of period	38,558	30,710
Issuance of common shares	25,530	7,475
Issuance of restricted shares	496	376
Forfeiture of restricted shares	(82)	(3)
Common shares at end of period	64,502	38,558

The following is a summary of changes in the number of OP Units for the periods shown (in thousands):

	For the Year Ended	
	December 31, 2013	December 31, 2012
OP Units at beginning of period	436	436

Redemption of OP Units	(2)	-
OP Units at end of period	434	436

***Dividends and Distributions***

For the years ended December 31, 2013, 2012 and 2011, we declared dividends per common share and OP Unit of \$0.66 totaling approximately \$42.9 million, \$0.64 totaling approximately \$22.6 million, and \$0.61 totaling approximately \$19.9 million, respectively.

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For the years ended December 31, 2013 and 2012, we declared dividends per share of Series A Preferred Stock of \$2.00 totaling approximately \$6.5 million and \$2.00 totaling approximately \$4.3 million.

On October 22, 2013, we announced that our Board of Directors declared a fourth quarter 2013 dividend of \$0.165 per common share and OP Unit. The dividend was paid on January 8, 2014, to stockholders of record on December 23, 2013. At December 31, 2013, we accrued approximately \$10.7 million related to our common dividend in accounts payable and accrued expenses in the accompanying consolidated balance sheets.

On October 22, 2013, the Board of Directors also declared a cash dividend of \$0.50 per share of Series A Preferred Stock for the fourth quarter of 2013. The preferred share dividend was paid on January 15, 2013, to stockholders of record on December 23, 2013. At December 31, 2013, we accrued approximately \$3.1 million related to our preferred dividend in accounts payable and accrued expenses in the accompanying consolidated balance sheets.

The following is a summary of the taxable nature of our dividends for the periods shown:

	For the Years Ended December 31,								
	2013			2012			2011		
	Per Share	%		Per Share	%		Per Share	%	
<b>Common Stock:</b>									
Ordinary Dividend	\$ 0.097	14.8	%	\$ 0.018	2.8	%	\$ 0.093	15.3	%
Qualified Dividend	0.008	1.2	%	0.001	0.2	%	-	0.0	%
Capital Gain	-	0.0	%	-	0.0	%	-	0.0	%
Unrecaptured Sec. 1250	0.019	2.9	%	-	0.0	%	-	0.0	%
Return of Capital	0.531	81.1	%	0.621	97.0	%	0.514	84.7	%
<b>Total</b>	<b>\$ 0.655</b>	<b>100.0</b>	<b>%</b>	<b>\$ 0.640</b>	<b>100.0</b>	<b>%</b>	<b>\$ 0.607</b>	<b>100.0</b>	<b>%</b>
<b>Preferred Stock:</b>									
Ordinary Dividend	\$ 1.565	78.3	%	\$ 1.272	92.7	%	\$ -	0.0	%
Qualified Dividend	0.128	6.4	%	0.100	7.3	%	-	0.0	%
Capital Gain	-	0.0	%	-	0.0	%	-	0.0	%
Unrecaptured Sec. 1250	0.307	15.3	%	-	0.0	%	-	0.0	%
Return of Capital	-	0.0	%	-	0.0	%	-	0.0	%
<b>Total</b>	<b>\$ 2.000</b>	<b>100.0</b>	<b>%</b>	<b>\$ 1.372</b>	<b>100.0</b>	<b>%</b>	<b>\$ -</b>	<b>0.0</b>	<b>%</b>

### 13. Incentive Plans

We have adopted the Amended and Restated Equity Incentive Compensation Plan (the "Incentive Plan") which permits the grant of incentive awards to executive officers, employees, consultants and non-employee directors. The aggregate number of awards approved under the Incentive Plan is 2.5 million. As of December 31, 2013, and December 31, 2012, approximately 0.3 million and 1.2 million shares, respectively, were available for issuance under the Incentive Plan.

#### *Restricted Stock Awards*

Awards to executive officers and employees vest over a three year period and are subject to restriction based upon employment in good standing with the Company. Awards to non-employee directors vest over a three or five year period and are subject to restriction based upon continued service on our Board of Directors.

At December 31, 2013, total unrecognized compensation cost related to restricted stock awards was approximately \$6.9 million and is expected to be recognized over a remaining weighted average period of 1.3 years. During the year ended December 31, 2013, we recognized stock compensation expense of approximately \$1.9 million (net of vesting forfeitures of approximately \$0.5 million) and capitalized stock compensation expense of approximately \$0.9 million. During the year ended December 31, 2012, we recognized stock compensation expense of approximately \$1.0 million (net of vesting forfeitures of approximately \$0.1 million) and capitalized stock compensation expense of approximately \$0.6 million. During the year ended December 31, 2011, we recognized stock compensation expense of approximately \$0.2 million (net of vesting forfeitures of approximately \$0.1 million).

***Restricted OP Units***

At December 31, 2013, we had no remaining unrecognized compensation cost related to restricted OP Units. During the year ended December 31, 2013, we recognized stock compensation expense related to the vesting of restricted OP Units of approximately \$0.2 million and capitalized stock compensation expense of approximately \$0.3 million. During the year ended December 31, 2012, we recognized stock compensation expense related to the vesting of restricted OP Units of approximately \$0.2 million and capitalized stock compensation expense of approximately \$0.4 million. During the year ended December 31, 2011, we recognized stock compensation expense related to the vesting of restricted OP units of approximately \$0.1 million and capitalized stock compensation expense of approximately \$0.5 million. There were no vesting forfeitures related to restricted OP Units during 2013, 2012, and 2011.



The following is a summary of our plan activity for the periods shown (in thousands, except weighted average grant price):

	Restricted Common Stock	Restricted Restricted OP Units	Total	Weighted Average Grant Price
Unvested balances at December 31, 2012	438	50	488	\$ 11.07
Granted	497	-	497	12.65
Vested	(205)	(50)	(255)	11.39
Forfeited	(82)	-	(82)	12.53
Unvested balances at December 31, 2013	648	-	648	\$ 11.97

#### 14. Related Party Transactions

We lease aircraft from entities in which two of our executive officers have an ownership interest. For each of the years ended December 31, 2013, 2012 and 2011, we incurred travel costs to these entities of approximately \$0.2 million.

We are party to an agreement with an initial term of five years with a subsidiary of an entity affiliated with one of our directors pursuant to which we offer our tenants a program of insurance services and products. Pursuant to the agreement, we received an upfront payment of \$100,000 and will receive fees for each tenant we refer that enrolls in the program. The related party receives monthly fees with respect to each tenant referred by us during the tenant's enrollment in the program which amounted to \$0.9 million for the year ended December 31, 2013.

In 2011, we engaged an entity affiliated with one of our board members to perform certain information technology services. The total contract value was approximately \$0.4 million (of which approximately \$0.3 million was paid as of December 31, 2012), and the remaining \$0.1 million was paid in February 2014. There are no additional amounts outstanding under the terms of the agreement.

## 15. Segments

The operating segments in which management assesses performance and allocates resources are student housing operations and development, construction and management services. Our segments reflect management's resource allocation and performance assessment in making decisions regarding the Company. Our student housing rental and student housing services revenues are aggregated within the student housing operations segment and our third-party services of development, construction and management are aggregated within the development, construction and management services segment.

The following tables set forth our segment information for the periods presented (in thousands):

	Year Ended December 31, 2013	Year Ended December 31, 2012	Year Ended December 31, 2011
<b>Student Housing Operations:</b>			
Revenues from external customers	\$ 91,250	\$ 74,091	\$ 51,110
Operating expenses	62,971	53,476	39,916
Income from wholly-owned student housing operations	28,279	20,615	11,194
Equity in earnings (losses) of unconsolidated earnings	(3,727)	361	(1,164)
Operating income	24,552	20,976	10,030
Nonoperating expenses	(10,529)	(10,246)	(5,176)
Net income	14,023	10,730	4,854
Net income attributable to noncontrolling interest	136	106	61
Net income attributable to common stockholders	\$ 13,887	\$ 10,624	\$ 4,793
Depreciation and amortization	\$ 22,356	\$ 20,377	\$ 16,266
Capital expenditures	\$ 142,167	\$ 111,167	\$ 111,135
Investment in unconsolidated entities	\$ 324,838	\$ 22,555	\$ 21,052
Total segment assets at end of period	\$ 719,018	\$ 617,975	\$ 490,882
<b>Development, Construction and Management Services:</b>			
Revenues from external customers	\$ 51,069	\$ 54,295	\$ 35,084
Intersegment revenues	102,073	77,937	88,443
Total revenues	153,142	132,232	123,527
Operating expenses	146,458	128,291	115,629
Operating income	6,684	3,941	7,898
Nonoperating expenses	-	(12)	(499)
Net income	6,684	3,929	7,399
Net income attributable to noncontrolling interest	64	38	74
Net income attributable to common stockholders	\$ 6,620	\$ 3,891	\$ 7,325
Depreciation and amortization	\$ 234	\$ 103	\$ 90
Total segment assets at end of period	\$ 88,515	\$ 51,141	\$ 22,818
<b>Reconciliations:</b>			
Total segment revenues	\$ 244,392	\$ 206,323	\$ 174,637
Elimination of intersegment revenues	(102,073)	(77,937)	(88,443)
Total consolidated revenues	\$ 142,319	\$ 128,386	\$ 86,194
Segment operating income	\$ 31,236	\$ 24,917	\$ 17,928

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Interest expense	(12,969)	(11,545)	(6,888)
Net unallocated expenses related to corporate overhead	(15,789)	(9,027)	(10,747)
Other income (expense)	1,414	(410)	720
Gain on purchase of previously unconsolidated entities	-	6,554	3,159
Net income before income tax benefit (expense)	\$ 3,892	\$ 10,489	\$ 4,172
Total segment assets	\$ 1,132,371	\$ 691,671	\$ 534,752
Unallocated corporate assets and eliminations	50,308	4,649	5,505
Total assets at end of period	\$ 1,182,679	\$ 696,320	\$ 540,257

## 16. Commitments and Contingencies

### *Commitments*

In the normal course of business, we enter into various development and construction related purchase commitments with parties that provide development and construction related goods and services. In the event we were to terminate development or construction services prior to the completion of projects, we could potentially be committed to satisfy outstanding or uncompleted purchase orders with such parties. At December 31, 2013, management did not anticipate any material deviations from schedule or budget and did not anticipate having to terminate services for the development projects currently in progress.

In the ordinary course of business, certain liens related to the construction of the student housing real estate property may be attached to our assets by contractors or suppliers. Campus Crest Construction, LLC is responsible as the general contractor for resolving these liens. There can be no assurance that we will not be required to pay amounts greater than currently recorded liabilities to settle these claims.

We have properties that are subject to long-term ground leases. Typically, these properties are located on the campuses of colleges or universities. We have the right to encumber our leasehold interests with specific property mortgages for the purposes of constructing, remodeling or making improvements on or to these properties. Title to all improvements paid for and constructed on the land remains with us until the earlier of termination or expiration of the lease at which time the title of any buildings constructed on the land will revert to the landlord. Should we decide to sell our leasehold interests during the initial or any renewal terms, the landlord has a right of first refusal to purchase the interests for the same purchase price under the same terms and conditions as contained in our offer to sell our leasehold interests.

We lease space for our corporate headquarters office. Rent expense is recognized on a straight-line basis. Future minimum payments over the life of our corporate office lease and long-term ground leases subsequent to December 31, 2013 are as follows (in thousands):

2014	\$ 1,238
2015	1,293
2016	1,304
2017	1,320
2018	1,309
Thereafter	28,148
Total future minimum lease payments	\$ 34,612

We guarantee certain mortgage notes related to our unconsolidated entities (see Note 7). The Company has estimated the fair value of the guarantees to be immaterial. The Company does not expect that it will have to perform under the guarantees.

### *Contingencies*

In the normal course of business, we are subject to claims, lawsuits and legal proceedings. In addition to the matter described below, we are involved in various routine legal proceedings arising in the ordinary course of business. Although the outcomes of such routine legal proceedings cannot be predicted with certainty, in the opinion of management, the ultimate resolution of such routine matters will not have a material adverse effect on our financial position or results of operations.

On July 3, 2012, we and certain of our subsidiaries were named in a state lawsuit filed with the 250<sup>th</sup> Judicial District Court of Travis County in Austin, Texas. The case arose from an accident at The Grove at Denton, located in Denton, Texas, in which a balcony of one of the units broke and three people were seriously injured. Also named as co-defendants in the case were the architect, the structural engineer and certain of our subcontractors. The plaintiffs allege, among other things, negligence on the part of the defendants in the design, construction, planning, operation and management of The Grove at Denton and seek actual and exemplary damages. The plaintiffs' initial complaint did not specify the amount of damages sought; however, in a recent filing the plaintiffs demanded \$20 million in damages. The parties have participated in settlement discussions, including mediation on two occasions but no resolution has been reached. The trial is currently scheduled to begin on May 5, 2014. Although it is not possible to predict the outcome of the lawsuit, we will continue to defend the case vigorously. Based on the totality of the circumstances, including the existence of insurance coverage, we do not believe that the lawsuit, if adversely determined, would have a material adverse effect on our financial position or results of operations. No amounts have been accrued as of December 31, 2013.

We are not aware of any environmental liability with respect to the properties that could have a material adverse effect on our business, assets or results of operations. However, there can be no assurance that such a material environmental liability does not exist. The existence of any such material environmental liability could have an adverse effect on our financial position or results of operations and cash flows.

**17. Quarterly Financial Information (Unaudited)**

The information presented below represents the consolidated financial results for the periods presented. The results below differ from previously disclosed quarterly results due to certain reclassifications associated with discontinued operations during the periods presented. The sum of the quarterly income (loss) per share amounts may not equal the annual income per share amounts due primarily to changes in the number of common shares outstanding from quarter to quarter (in thousands, except per share data):

	Three Months Ended			
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013
Total revenues	\$ 32,998	\$ 36,526	\$ 37,811	\$ 34,984
Operating income	4,292	5,884	6,856	(1,585)
Net income (loss)	2,167	3,940	4,853	(9,342)
Net income (loss) attributable to common stockholders	1,006	2,771	3,677	(11,985) <sup>(1)</sup>
Net income (loss) attributable to common stockholders per share - basic and diluted	\$ 0.02	\$ 0.04	\$ 0.06	\$ (0.18)

	Three Months Ended			
	March 31, 2012	June 30, 2012	September 30, 2012	December 31, 2012
Total revenues	\$ 30,716	\$ 33,186	\$ 32,146	\$ 32,338
Operating income	2,601	2,968	5,014	5,307
Net income (loss)	(980)	460	9,050	2,268
Net income (loss) attributable to common stockholders	(1,635)	(676)	7,839	1,110
Net income (loss) attributable to common stockholders per share - basic and diluted	\$ (0.05)	\$ (0.02)	\$ 0.20	\$ 0.03

(1) The purchase price allocation for our Copper Beech acquisition was finalized and all required adjustments are reflected in our fourth quarter information.

**18. Subsequent Events**

Events occurring subsequent to the date of our consolidated balance sheet have been evaluated for potential recognition or disclosure in our consolidated financial statements through the date our consolidated financial statements were available to be issued.

In January 2014, we acquired from HSRE their 80% ownership interest in HSRE IV, which we previously held a 20% interest and which owned The Grove at Denton, Texas, for approximately \$7.7 million. Prior to the acquisition of this interest, we accounted for our ownership interest in the property under the equity method. The acquisition date fair value of the Company's equity interest in HSRE IV immediately before the acquisition of the remaining interest in HSRE IV was \$1.9 million. In connection with evaluating our investment in HSRE IV for impairment as of December 31, 2013, we recognized a loss of approximately \$0.3 million for the other than temporary decline in value of our previously held equity interest in the properties at the acquisition date. Subsequent to our acquisition of this interest, we consolidated the results of operations of The Grove at Denton, Texas.

As of the date the financial statements were available to be issued, the initial accounting and the related purchase price allocation has not yet been completed. Therefore, the Company has not disclosed the amounts recognized as of the acquisition date for each major class of asset acquired and liability assumed or an estimate of the financial effect on the Company's consolidated financial statements.

On January 15, 2014, through the newly formed HIM Holdings, the joint venture partnership acquired the 488-room, 22-story Holiday Inn Midtown in Montréal, Québec for approximately CAD 65 million. The joint venture intends to convert the property it into an upscale evo student housing tower near McGill University. In connection with the acquisition of the Holiday Inn property, we increased our ownership interest from 20.0% to 35.0% in CSH Montreal, the joint venture that holds the newest evo property and the previously announced evo à Square Victoria. In addition, we provided CAD 16.0 million of preferred equity in connection with the acquisition of the Holiday Inn property. If our preferred interest is not repaid in full on or prior to September 2, 2014, it will effectively convert to a common interest in the joint venture partnership.

In conjunction with the Holiday Inn acquisition, CSH Montreal completed a CAD 112.0 million note payable to help fund the conversion of both hotels into upscale student housing towers. The note payable provides for interest-only payments at a variable interest rate equal to the Canadian Dealer Offered Rate ("CDOR"), which was 1.22% at December 31, 2013, plus a spread of 3.50% through its maturity date on January 13, 2016. This facility has one twelve-month extension option, subject to lender approval.



**Schedule III Real Estate and Accumulated Depreciation as of December 31, 2013**

	Total Costs				Total <sup>(1)</sup>	Accum. Depr.	Encumbrances	Year Construct
	Initial Cost	Costs Capitalized Subsequent to Development or Acquisition	Land	Student Housing Properties				
Student Housing Properties								
The Grove at Asheville, NC	\$ 12,604	\$ 708	\$ 51	\$ 13,261	\$ 13,312	\$ (4,904)	\$ (14,500)	2005
The Grove at Carrollton, GA	13,294	1,092	1,104	13,282	14,386	(4,814)	(14,288)	2006
The Grove at Las Cruces, NM	16,025	5,522	1,098	20,449	21,547	(5,215)	(14,764)	2006
The Grove at Milledgeville, GA	14,543	1,250	942	14,851	15,793	(5,284)	(15,847)	2006
The Grove at Abilene, TX	16,962	619	1,361	16,220	17,581	(5,437)	(2)	2007
The Grove at Ellensburg, WA	20,827	430	1,483	19,774	21,257	(5,814)	(16,070)	2007
The Grove at Greeley, CO	19,971	1,279	1,454	19,796	21,250	(5,335)	(15,193)	2007
The Grove at Mobile I & II	33,094	957	150 <sup>(3)</sup>	33,901	34,051	(9,686)	(2)	2007
The Grove at Nacogdoches, TX	18,604	1,253	1,188	18,669	19,857	(5,527)	(17,100)	2007
The Grove at Cheney, WA	18,788	320	1,347	17,761	19,108	(4,925)	(2)	2008
The Grove at Lubbock, TX	18,229	453	1,520	17,162	18,682	(4,908)	(2)	2008
The Grove at Stephenville, TX	17,100	321	1,250	16,171	17,421	(4,888)	(2)	2008
The Grove at Troy, AL	18,248	635	1,433	17,450	18,883	(5,101)	(2)	2008
The Grove at Waco, TX	17,566	589	1,094	17,061	18,155	(5,028)	(2)	2008
The Grove at Murfreesboro, TN	19,994	585	2,678	17,901	20,579	(4,166)	(2)	2009
The Grove at San Marcos, TX	24,126	399	1,791	22,734	24,525	(2,769)	(2)	2009

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The Grove at Moscow, ID	25,731	143	1,839	24,035	25,874	(1,128)		(2)	2009
The Grove at Huntsville, TX	23,444	249	2,157	21,536	23,693	(1,484)		(2)	2010
The Grove at Statesboro, GA	25,349	255	1,621	23,983	25,604	(1,640)	(18,101)		2010
The Grove at Clarksville, TN	21,805	338	1,296	20,847	22,143	(1,800)	(16,350)		2011
The Grove at Ames, IA	22,834	278	1,919	21,193	23,112	(1,849)		(2)	2011
The Grove at Fort Wayne, IN	18,889	161	844	18,206	19,050	(1,663)		(2)	2011
The Grove at Columbia, MO	24,551	136	3,611	21,076	24,687	(1,873)	(23,180)		2011
The Grove at Valdosta, GA	29,381	253	1,562	28,072	29,634	(1,414)		(2)	2011
The Grove at Auburn, AL	26,267	147	4,423	21,991	26,414	(1,142)		(2)	2012
The Grove at Flagstaff, AZ	34,125	2,991	6,970	30,146	37,116	(1,372)		(2)	2012
The Grove at Nacogdoches, TX - Phase II	7,718	94	401	7,411	7,812	(355)	-		2012
The Grove at Orono, ME	28,499	870	1,373	27,996	29,369	(1,217)		(2)	2012
The Grove at Toledo <sup>(4)</sup>	11,564	2,705	2,237	12,032	14,269	(728)		(2)	2013
The Grove at Fort Collins, CO	35,496	(67)	75 <sup>(3)</sup>	35,354	35,429	(394)	(17,228)		2013
The Grove at Muncie, IN	24,708	(22)	2,458	22,228	24,686	(281)	(12,237)		2013
The Grove at Pullman, WA <sup>(5)</sup>	15,622	(20)	1,842	13,760	15,602	(118)	(10,673)		2013
The Grove at Flagstaff II	15,407	(3)	3,249	12,155	15,404	(97)		(2)	2013
Total - student housing properties	\$ 691,365	\$ 24,920	\$ 57,821	\$ 658,464	\$ 716,285	\$ (102,356)	\$ (205,531)		

(1) Depreciable lives range from 2-40 years.

(2) Property is collateral for our Amended Credit Facility.

(3) Property encumbered by a ground lease.

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(4) Property is under re-development. See Note 5 to the accompanying consolidated financial statements.

At December 31, 2013, The Grove at Pullman, Washington, was partially operational due to the occurrence of a  
(5) July 2013 fire at the property while it was under construction. See Note 5 to the accompanying consolidated financial statements.

## NOTES TO SCHEDULE III

## Schedule III Real Estate and Accumulated Depreciation as of December 31, 2013

The changes in our investment in real estate and related accumulated depreciation for each of the years ended December 31, 2013, 2012 and 2011 are as follows (in thousands):

	December 31, 2013	2012	2011
Investment in real estate:			
Balance, beginning of year	\$ 669,387	\$ 512,227	\$ 372,746
Acquisitions	13,801	-	-
Improvements and development expenditures	106,806	158,175	140,866
Asset disposals	(1,283)	(1,015)	(710)
Disposition of student housing properties	(67,702)	-	-
Impairment of student housing properties	(4,724)	-	-
Other Reclassifications	-	-	(675)
Balance, end of year	\$ 716,285	\$ 669,387	\$ 512,227
Accumulated depreciation:			
Balance, beginning of year	\$ 97,820	\$ 76,164	\$ 57,463
Depreciation for the year	25,183	22,472	18,943
Asset disposals	(933)	(865)	(242)
Disposition of student housing properties	(19,714)	-	-
Other Reclassifications	-	49	-
Balance, end of year	\$ 102,356	\$ 97,820	\$ 76,164
Development in process	91,184	50,781	45,278
Investment in real estate, net	\$ 705,113	\$ 622,348	\$ 481,341