

Campus Crest Communities, Inc.

Form 10-K/A

March 30, 2011

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

**Form 10-K/A
(Amendment No. 1)**

- þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2010**
- o TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to**

**Commission file number: 001-34872
CAMPUS CREST COMMUNITIES, INC.
(Exact name of registrant as specified in its charter)**

Maryland
*(State or other jurisdiction of
incorporation or organization)*

27-2481988
*(I.R.S. Employer
Identification No.)*

2100 Rexford Road, Suite 414, Charlotte, NC
(Address of principal executive offices)

28211
(Zip Code)

Securities registered pursuant to Section 12(b) of the Act:

(Title of Each Class)	(Name of Each Exchange on Which Registered)
Common Stock, \$.01 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such report(s)), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T

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(§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

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

The common equity of the registrant was not publicly traded as of June 30, 2010.

There were 30,682,215 shares of the registrant's common stock with a par value of \$0.01 per share as of the close of business on March 3, 2011.

DOCUMENTS INCORPORATED BY REFERENCE

Part II and III of this report incorporate information by reference from the registrant's definitive Proxy Statement for the 2011 annual meeting of stockholders.

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EXPLANATORY NOTE

On March 11, 2011, Campus Crest Communities, Inc. (the Company) filed its annual report on Form 10-K for the fiscal year ended December 31, 2010.

This Form 10-K/A filing is made solely for the purpose of correcting the inadvertent omission of our auditor's signature on its Report of Independent Registered Public Accounting Firm in Item 8. At the time of filing of the original 10-K, we had on-hand a manually signed and dated Report of Independent Registered Public Accounting Firm. There are no other changes to the Company's 2010 Form 10-K.

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PART II.

Item 8. *Financial Statements and Supplementary Data*

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

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2. 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.

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3. Exhibits

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

Exhibit Number	Description of Document
3.1	Articles of Incorporation of Campus Crest Communities, Inc.(1)
3.2	Bylaws of Campus Crest Communities, Inc.(1)
4.1	Form of Certificate for Common Stock of Campus Crest Communities, Inc.(1)
10.1	Amended and Restated Partnership Agreement of Campus Crest Communities Operating Partnership, LP.(1)
10.2	Campus Crest Communities, Inc. Amended and Restated Equity Incentive Compensation Plan.*
10.3	Form of Restricted Stock Award Agreement.(2)*
10.4	Form of Restricted Stock Unit Award Agreement. (2)*
10.5	Form of Indemnification Agreement.(3)*
10.6	Employment Agreement by and between Campus Crest Communities, Inc. and Ted W. Rollins.(1)*
10.7	Employment Agreement by and between Campus Crest Communities, Inc. and Michael S. Hartnett.(1)*
10.8	Employment Agreement by and between Campus Crest Communities, Inc. and Earl C. Howell.(1)*
10.9	Employment Agreement by and between Campus Crest Communities, Inc. and Donald L. Bobbitt, Jr.(1)*
10.10	Employment Agreement by and between Campus Crest Communities, Inc. and Shannon N. King.(1)*
10.11	Confidentiality and Noncompetition Agreement by and between Campus Crest Communities, Inc. and Ted W. Rollins.(1)*
10.12	Confidentiality and Noncompetition Agreement by and between Campus Crest Communities, Inc. and Michael S. Hartnett.(1)*
10.13	Confidentiality and Noncompetition Agreement by and between Campus Crest Communities, Inc. and Earl C. Howell.(1)*
10.14	Confidentiality and Noncompetition Agreement by and between Campus Crest Communities, Inc. and Donald L. Bobbitt, Jr.(1)*
10.15	Confidentiality and Noncompetition Agreement by and between Campus Crest Communities, Inc. and Shannon N. King.(1)*
10.16	Release and Addendum to Release by and between Campus Crest Communities, Inc. and Shannon N. King.(4)*
10.17	Contribution Agreement by and among Campus Crest Communities, Inc., Campus Crest Communities Operating Partnership, LP, and MXT Capital, LLC, dated May 13, 2010.(1)
10.18	Amendment No. 1 to Contribution Agreement by and among Campus Crest Communities, Inc., Campus Crest Communities Operating Partnership, LP, and MXT Capital, LLC, dated September 15, 2010.(1)
10.19	Amendment No. 2 to Contribution Agreement by and among Campus Crest Communities, Inc., Campus Crest Communities Operating Partnership, LP and MXT Capital, LLC, dated October 4, 2010.(1)
10.20	Tax Protection Agreement by and among Campus Crest Communities, Inc., Campus Crest Communities Operating Partnership, LP, and MXT Capital, LLC.(3)
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.(1)
10.22	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 October 19, 2010.(3)
10.23	Contribution Agreement by and among Campus Crest Communities, Inc., Campus Crest Communities Operating Partnership, LP, and Carl H. Ricker, Jr., dated May 13, 2010.(1)

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Exhibit Number	Description of Document
10.24	Amendment No. 1 to Contribution Agreement by and among Campus Crest Communities, Inc., Campus Crest Communities Operating Partnership, LP and Carl H. Ricker, Jr., dated September 14, 2010.(1)
10.25	Amendment No. 2 to Contribution Agreement by and among Campus Crest Communities, Inc., Campus Crest Communities Operating Partnership, LP and Carl H. Ricker, Jr., dated October 4, 2010.(1)
10.26	Contribution Agreement by and among Campus Crest Communities, Inc., Campus Crest Communities Operating Partnership, LP, and Flynn Development, LLC, dated April 22, 2010.(1)
10.27	Contribution Agreement by and among Campus Crest Communities, Inc., Campus Crest Communities Operating Partnership, LP, and Mansion Ridge Investment Company, LLC, dated May 6, 2010.(1)
10.28	Purchase and Sale Agreement by and among Campus Crest Communities, Inc., Campus Crest Communities Operating Partnership, LP, and Highland Park, LLC, dated May 13, 2010.(1)
10.29	Contribution Agreement by and among Campus Crest Communities, Inc., Campus Crest Communities Operating Partnership, LP, and Marc Rollins, dated May 1, 2010.(1)
10.30	Purchase and Sale Agreement by and among Campus Crest Communities, Inc., Campus Crest Communities Operating Partnership, LP, and P. Andrew Walker, dated May 13, 2010.(1)
10.31	Contribution Agreement by and among Campus Crest Communities, Inc., Campus Crest Communities Operating Partnership, LP, and Joe C. Brumit, II, dated April 19, 2010.(1)
10.32	Contribution Agreement by and among Campus Crest Communities, Inc., Campus Crest Communities Operating Partnership, LP, and BGY, LLC, dated April 15, 2010.(1)
10.33	Purchase and Sale Agreement by and among Campus Crest Communities, Inc., Campus Crest Communities Operating Partnership, LP, and Jerry V. Sternberg, dated May 13, 2010.(1)
10.34	Purchase and Sale Agreement by and among Campus Crest Communities, Inc., Campus Crest Communities Operating Partnership, LP, and Marlene Breger Joyce, dated May 13, 2010.(1)
10.35	Contribution Agreement by and among Campus Crest Communities, Inc., Campus Crest Communities Operating Partnership, LP, and Steve Emtman, dated May 10, 2010.(1)
10.36	Contribution Agreement by and among Campus Crest Communities, Inc., Campus Crest Communities Operating Partnership, LP, and O.A. Keller, III, dated April 29, 2010.(1)
10.37	Contribution Agreement by and among Campus Crest Communities, Inc., Campus Crest Communities Operating Partnership, LP, and NLR-Cotton Valley Investments, LLC, dated April 19, 2010.(1)
10.38	Contribution Agreement by and among Campus Crest Communities, Inc., Campus Crest Communities Operating Partnership, LP, and Horatio Alger Association Endowment Fund, dated May 4, 2010.(1)
10.39	Purchase and Sale Agreement by and among Campus Crest Communities, Inc., Campus Crest Communities Operating Partnership, LP, and Keith M. Maxwell, dated May 9, 2010.(1)
10.40	Contribution Agreement by and among Campus Crest Communities, Inc., Campus Crest Communities Operating Partnership, LP, and Harrison-Zahn Investments, LLC, dated April 19, 2010.(1)
10.41	Contribution Agreement by and among Campus Crest Communities, Inc., Campus Crest Communities Operating Partnership, LP, and Matthew S. O Reilly, dated May 6, 2010.(1)
10.42	Purchase and Sale Agreement by and among Campus Crest Communities, Inc., Campus Crest Communities Operating Partnership, LP and certain other parties thereto, dated March 26, 2010.(1)
10.43	First Amendment to Purchase and Sale Agreement by and among Campus Crest Communities, Inc., Campus Crest Communities Operating Partnership, LP and certain other parties thereto, dated October 6, 2010.(1)
10.44	Contribution Agreement by and among Campus Crest Communities, Inc., Campus Crest Communities Operating Partnership, LP and Thomas A. Odai dated May 13, 2010.(1)

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Exhibit Number	Description of Document
10.45	Ground Lease by and between USA Research and Technology Corporation and Campus Crest at Mobile, LLC, dated August 8, 2006.(1)
10.46	Ground Lease by and between USA Research and Technology Corporation and Campus Crest at Mobile Phase II, LLC, dated March 14, 2008.(1)
10.47	Ground Lease Agreement by and between Indian Hills Trading Company, LLC and Campus Crest Development, LLC, dated March 20, 2008.(1)
10.48	First Amendment to Ground Lease Agreement by and between Indian Hills Trading Company, LLC and Campus Crest Development, LLC, dated July 28, 2008.(1)
10.49	Assignment of Ground Lease Agreement and Purchase Option Agreement by Campus Crest Development, LLC and Campus Crest at Moscow, LLC, dated July 28, 2008.(1)
10.50	Loan Agreement between General Electric Capital Corporation and Campus Crest at Milledgeville, LLC, dated September 7, 2006.(1)
10.51	Deed to Secure Debt, Security Agreement and Fixture Filing by Campus Crest at Carrollton, LLC to Wachovia Bank, National Association, dated September 18, 2006.(1)
10.52	Deed of Trust, Security Agreement and Fixture Filing by Campus Crest at Las Cruces, LLC for the benefit of Wachovia Bank, National Association, dated September 22, 2006.(1)
10.53	Deed of Trust, Security Agreement and Fixture Filing by Campus Crest at Asheville, LLC for the benefit of Wachovia Bank, National Association, dated March 13, 2007.(1)
10.54	Loan Agreement by and among Campus Crest at Mobile, LLC, Campus Crest at Jacksonville, AL, LLC, Campus Crest at Nacogdoches, LP, Campus Crest at Abilene, LP, Campus Crest at Greeley, LLC, and Campus Crest at Ellensburg, LLC, and Silverton Bank, N.A., dated February 29, 2008.(1)
10.55	Transfer, Assignment and Assumption Agreement by and among the Federal Deposit Insurance Corporation as receiver and successor-in-interest to Silverton Bank, N.A. and Campus Crest Loan Servicing, LLC, dated March 31, 2010.(1)
10.56	Construction Loan Agreement by and among Wachovia Bank, National Association, Campus Crest Group, LLC, Campus Crest at Moscow, LLC, Campus Crest at San Angelo, LP and Campus Crest at San Marcos, LP, dated November 18, 2008.(1)
10.57	First Amendment to Construction Loan Agreement by and among Wachovia Bank, National Association, Campus Crest Group, LLC, Campus Crest at Moscow, LLC, Campus Crest at San Angelo, LP and Campus Crest at San Marcos, LP, dated June 2009.(1)
10.58	Second Amendment to Construction Loan Agreement by and among Wells Fargo Bank, N.A., Campus Crest Communities, Inc. and certain other parties thereto, dated September 14, 2010.(4)
10.59	Construction Loan Agreement by and between Campus Crest at Lawrence, LLC and Mutual of Omaha Bank, dated February 13, 2009.(1)
10.60	First Amendment to Construction Loan Agreement by and between Campus Crest at Lawrence, LLC and Mutual of Omaha Bank, dated March 19, 2009.(1)
10.61	Construction Loan Agreement by and between Amegy Mortgage Company, L.L.C. d/b/a Q-10 Amegy Mortgage Capital and Campus Crest at Huntsville, LP, dated June 12, 2009.(1)
10.62	Secured Construction Loan Agreement by and between Centennial Bank, F/K/A First State Bank and Campus Crest at Conway, LLC, dated July 2, 2009.(1)
10.63	Construction Loan Agreement by and between Campus Crest at Statesboro, LLC and The PrivateBank and Trust Company, dated November 12, 2009.(1)
10.64	Construction Loan Agreement by and between Campus Crest at Valdosta, L.L.C. and Community & Southern Bank, dated November 16, 2010.(4)
10.65	

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Construction Loan Agreement by and between Campus Crest at Denton, LP and Amegy Mortgage Company, L.L.C. d/b/a Q-10 Amegy Mortgage Capital, dated November 16, 2010.(4)

10.66 Construction Loan and Security Agreement by and between Campus Crest Communities, Inc., The PrivateBank and Trust Company and certain other parties thereto, dated as of November 19, 2010.(4)

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Exhibit Number	Description of Document
10.67	Amended and Restated Operating Agreement of HSRE-Campus Crest I, LLC, dated as of October 19, 2010.(3)
10.68	Operating Agreement of HRSE-Campus Crest IV, LLC, dated as of January 20, 2011.
10.69	Form of Aircraft Lease.(1)
21.1	List of Subsidiaries of the registrant.
23.1	Consent of KPMG LLP.
24.1	Power of Attorney.
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.

* Represents management contract or compensatory plan or agreement.

Previously filed with the registrant's annual report on Form 10-K for the year ended December 31, 2010, filed March 11, 2011.

- (1) Previously filed as an exhibit to the registrant's registration statement on Form S-11 (No. 333-166834) initially filed with the SEC on May 14, 2010 and incorporated herein by reference.
- (2) Previously filed as an exhibit to the registrant's registration statement on Form S-8 (No. 333-169958) filed with the SEC on October 15, 2010 and incorporated herein by reference.
- (3) Previously filed as an exhibit to the registrant's current report on Form 8-K filed with the SEC on October 21, 2010 and incorporated herein by reference.
- (4) Previously filed as an exhibit to the registrant's quarterly report on Form 10-Q filed with the SEC on November 26, 2010 and incorporated herein by reference.

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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.

CAMPUS CREST COMMUNITIES, INC.

By: /s/ Ted W. Rollins

Co-Chairman of the Board and
Chief Executive Officer

March 30, 2011

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.

Name	Title	Date
/s/ Ted W. Rollins	Co-Chairman of the Board, Chief Executive Officer and Director	March 30, 2011
Ted W. Rollins	(Principal Executive Officer)	
*	Co-Chairman of the Board, Chief Investment Officer and Director	March 30, 2011
Michael S. Hartnett		
*	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 30, 2011
Donald L. Bobbitt, Jr.		
*	Director	March 30, 2011
N. Anthony Coles		
*	Director	March 30, 2011
Richard S. Kahlbaugh		
*	Director	March 30, 2011
Denis McGlynn		
*	Director	March 30, 2011
William G. Popeo		

*

Director

March 30, 2011

Daniel L. Simmons

* By: /s/ Ted W. Rollins

Ted W. Rollins
Attorney-in-Fact

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Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheet of Campus Crest Communities, Inc. and subsidiaries as of December 31, 2010, and the accompanying combined balance sheet of Campus Crest Communities Predecessor as of December 31, 2009, and the related consolidated statements of operations and changes in equity (deficit) and comprehensive loss of Campus Crest Communities, Inc. and subsidiaries for the period from October 19, 2010 (commencement of operations) through December 31, 2010, the related combined statements of operations and changes in equity (deficit) of Campus Crest Communities Predecessor for the period from January 1, 2010 through October 18, 2010 and the years ended December 31, 2009 and 2008, the related combined statement of cash flows of Campus Crest Communities, Inc. and subsidiaries and Campus Crest Communities Predecessor for the year ended December 31, 2010, and the related combined statements of cash flows of Campus Crest Communities Predecessor for the years ended December 31, 2009 and 2008. In connection with our audits of the consolidated and combined financial statements, we also have audited financial statement Schedule III. These consolidated and combined 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 and combined 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 and combined 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, 2010, and the combined financial position of Campus Crest Communities Predecessor as of December 31, 2009, the consolidated results of operations of Campus Crest Communities, Inc. and subsidiaries for the period from October 19, 2010 through December 31, 2010, the combined results of operations of Campus Crest Communities Predecessor for the period from January 1, 2010 through October 18, 2010 and the years ended December 31, 2009 and 2008, the combined cash flows of Campus Crest Communities, Inc. and subsidiaries and Campus Crest Communities Predecessor for the year ended December 31, 2010, and the combined cash flows of Campus Crest Communities Predecessor for the years ended December 31, 2009 and 2008, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement Schedule III, when considered in relation to the basic consolidated and combined financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

Atlanta, Georgia
March 11, 2011

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**CAMPUS CREST COMMUNITIES, INC. AND
CAMPUS CREST COMMUNITIES PREDECESSOR**

CONSOLIDATED AND COMBINED BALANCE SHEETS

	Campus Crest Communities, Inc. December 31, 2010	Campus Crest Communities Predecessor December 31, 2009
(In thousands, except share data)		
ASSETS		
Investment in real estate, net:		
Student housing properties	\$ 372,746	347,157
Accumulated depreciation	(57,463)	(38,999)
Development in process	24,232	3,300
Investment in real estate, net	339,515	311,458
Investment in unconsolidated entity	13,751	2,980
Cash and cash equivalents	2,327	2,902
Restricted cash and investments	3,305	3,377
Student receivables, net of allowance for doubtful accounts of \$431 and \$653, respectively	954	577
Cost in excess of construction billings	1,827	3,938
Other assets	9,578	6,564
Total assets	\$ 371,257	331,796
LIABILITIES AND EQUITY (DEFICIT)		
Liabilities:		
Mortgage and construction loans	\$ 60,840	329,102
Lines of credit and other debt	42,500	9,978
Related party loan		4,092
Accounts payable and accrued expenses	14,597	20,029
Other liabilities	6,530	11,311
Total liabilities	124,467	374,512
Equity (deficit):		
Stockholders' and owner's equity (deficit):		
Common stock, \$.01 par value, 90,000,000 shares authorized, 30,682,215 shares issued and outstanding as of December 31, 2010	307	
Additional paid-in capital	248,515	
Accumulated deficit and distributions	(5,491)	

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Accumulated other comprehensive loss	(172)	
Owner s deficit		(50,090)
Total stockholders and owner s equity (deficit)	243,159	(50,090)
Noncontrolling interests	3,631	7,374
Total equity (deficit)	246,790	(42,716)
Total liabilities and equity (deficit)	\$ 371,257	331,796

See accompanying notes to consolidated and combined financial statements.

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**CAMPUS CREST COMMUNITIES, INC. AND
CAMPUS CREST COMMUNITIES PREDECESSOR**

CONSOLIDATED AND COMBINED STATEMENTS OF OPERATIONS

	Campus Crest Communities, Inc. Period October 19, 2010 Through December 31, 2010	Campus Crest Communities Predecessor Period January 1, 2010 Through October 18, 2010	Year Ended December 31, 2009	Year Ended December 31, 2008
	(In thousands, except per share data)			
Revenues:				
Student housing rental	\$ 10,452	39,169	43,708	30,813
Student housing services	334	1,902	2,265	798
Development, construction and management services	74	35,557	60,711	2,505
Total revenues	10,860	76,628	106,684	34,116
Operating expenses:				
Student housing operations	5,371	22,424	23,155	14,890
Development, construction and management services		33,449	60,200	2,147
General and administrative	1,176	5,589	5,617	5,422
Ground leases	42	214	264	224
Write-off of pre-development costs		537	1,211	203
Depreciation and amortization	3,961	14,886	18,371	13,573
Total operating expenses	10,550	77,099	108,818	36,459
Equity in loss of unconsolidated entity	(163)	(259)	(59)	
Operating income (loss)	147	(730)	(2,193)	(2,343)
Nonoperating income (expense):				
Interest expense	(2,519)	(20,836)	(15,871)	(14,946)
Change in fair value of interest rate derivatives	146	871	797	(8,758)
Other income (expense)	621	43	44	(50)
Total nonoperating expenses	(1,752)	(19,922)	(15,030)	(23,754)

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Net loss	(1,605)	(20,652)	(17,223)	(26,097)
Net loss attributable to noncontrolling interests	(14)	(7,479)	(10,486)	(870)
Net loss attributable to stockholders and owner	\$ (1,591)	(13,173)	(6,737)	(25,227)
Net loss per share: Basic and diluted	\$ (0.05)			
Weighted-average common shares outstanding: Basic and diluted	29,877			
Distributions per common share	\$ 0.127			

See accompanying notes to consolidated and combined financial statements.

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**CAMPUS CREST COMMUNITIES, INC. AND
CAMPUS CREST COMMUNITIES PREDECESSOR**

**CONSOLIDATED AND COMBINED STATEMENTS OF CHANGES IN EQUITY (DEFICIT) AND
COMPREHENSIVE LOSS**

	Number of Common Shares	Common Stock	Additional Paid-In Capital	Accumulated		Owner's Deficit	Total		Total Equity (Deficit)
				Accumulated Deficit and Distributions	Other Comprehensive Loss		Stockholders and Owner's Equity (Deficit)	Noncontrolling Interests	
Predecessor:									
Balance, December 31, 2007		\$				(14,589)	(14,589)	29,476	14,887
Contributions						1,402	1,402	6,567	7,969
Distributions						(4,088)	(4,088)	(14,785)	(18,873)
Net loss						(25,227)	(25,227)	(870)	(26,097)
Balance, December 31, 2008						(42,502)	(42,502)	20,388	(22,114)
Contributions								924	924
Distributions						(851)	(851)	(3,452)	(4,303)
Net loss						(6,737)	(6,737)	(10,486)	(17,223)
Balance, December 31, 2009						(50,090)	(50,090)	7,374	(42,716)
Contributions						2,133	2,133	1,033	3,166
Distributions						(6,383)	(6,383)	(3,147)	(9,530)
Net loss						(13,173)	(13,173)	(7,479)	(20,652)
Balance, October 18, 2010						(67,513)	(67,513)	(2,219)	(69,732)
The Company:									
Buyout of owner's deficit of Predecessor			(101,817)			67,513	(34,304)	5,789	(28,515)
Net proceeds from sale of common stock	30,682	307	350,264				350,571		350,571
Distributions				(3,900)			(3,900)	(55)	(3,955)
Amortization of restricted stock awards and OP units			68				68	130	198
Comprehensive loss:									

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Change in fair value of interest rate derivatives				(172)	(172)	(172)		(172)
Net loss			(1,591)		(1,591)		(14)	(1,605)
Total comprehensive loss								(1,777)
Balance, December 31, 2010	30,682	\$ 307	248,515	(5,491)	(172)	243,159	3,631	246,790

See accompanying notes to consolidated and combined financial statements.

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**CAMPUS CREST COMMUNITIES, INC. AND
CAMPUS CREST COMMUNITIES PREDECESSOR**

COMBINED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	Campus Crest Communities, Inc. And Campus Crest		
	Communities Predecessor 2010	Campus Crest Communities Predecessor 2009	2008
	(In thousands)		
Operating activities:			
Net loss	\$ (22,257)	(17,223)	(26,097)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Depreciation and amortization	18,847	18,371	13,573
Gain on purchase of The Grove at San Marcos	(577)		
Amortization of deferred financing costs	2,443	828	798
Accretion of interest expense	5,043	220	
Bad debt expense	1,215	1,639	1,047
Write-off of pre-development costs	537	1,211	203
Unrealized (gain) loss on interest rate derivatives	(5,141)	(3,480)	7,414
Loss on disposition of assets	50		
Equity in loss of unconsolidated entity	422	59	
Changes in operating assets and liabilities:			
Restricted cash and investments	72	757	(1,346)
Student receivables, net	(1,592)	(1,718)	(1,314)
Change in construction billings	1,083	(5,987)	2,049
Accounts payable and accrued expenses	(7,467)	11,026	1,537
Other	399	(1,350)	3,400
Net cash (used in) provided by operating activities	(6,923)	4,353	1,264
Investing activities:			
Investments in development in process	(19,737)	(19,655)	(145,344)
Investments in student housing properties	(29,982)	(1,387)	(1,676)
Investments in unconsolidated entity	(10,151)	(2,388)	(776)
Purchase of corporate fixed assets	(61)	(122)	(589)
Net cash used in investing activities	(59,931)	(23,552)	(148,385)

Financing activities:

Proceeds from sale of common stock	382,292		
Payment of offering costs	(31,721)		
Purchase of noncontrolling interests of Predecessor	(28,515)		
Proceeds from construction loans	497	9,826	140,921
Proceeds from mortgage loans			104,600
Proceeds from lines of credit	71,040	9,831	8,967
Proceeds from related party loans	3,021	3,872	
Principal payments on construction loans	(152,244)		(90,000)
Principal payments on mortgage loans	(116,515)		
Payments on lines of credit	(39,892)	(9,090)	(6,308)
Payments on related party loan	(10,782)		
Debt issuance costs	(4,538)		(2,495)
Contributions from owner of Predecessor	2,133		1,402
Contributions from noncontrolling interests of Predecessor	1,033	924	6,567
Distributions to owner of Predecessor	(6,383)	(851)	(4,088)
Distributions to noncontrolling interests of Predecessor	(3,147)	(3,452)	(14,785)
Net cash provided by financing activities	66,279	11,060	144,781
Net change in cash and cash equivalents	(575)	(8,139)	(2,340)
Cash and cash equivalents at beginning of year	2,902	11,041	13,381
Cash and cash equivalents at end of year	\$ 2,327	2,902	11,041

Supplemental disclosure of cash flow information:

Interest paid	\$ 22,109	16,491	16,330
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Non-cash investing and financing activity:

Issuance of OP Units in exchange for noncontrolling interests of Predecessor	\$ 3,570		
Declaration of distributions to stockholders	\$ 3,900		
Declaration of distributions to noncontrolling interests	\$ 55		
Change in fair value of derivative instruments, net	\$ (172)		
Conversion of note payable to equity interest	\$	600	
Conversion of costs in excess of construction billings to equity method investment	\$ 1,028		
Change in other assets related to capital expenditures	\$ 62		
Change in payables related to capital expenditures	\$ (1,920)	(8,308)	(6,575)
Contribution to real estate venture:			
Land	\$	3,025	
Construction loan	\$	2,550	

See accompanying notes to consolidated and combined financial statements.

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**CAMPUS CREST COMMUNITIES, INC. AND
CAMPUS CREST COMMUNITIES PREDECESSOR**

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

1. Organization and Description of Business

Campus Crest Communities, Inc. (along with its subsidiaries, the Company, we, us, or our) is engaged in the business of developing, constructing, owning and managing high-quality, purpose-built student housing properties in the United States. The Company was incorporated in the State of Maryland on March 1, 2010. Campus Crest Communities Predecessor (the Predecessor) is not a legal entity, but rather a combination of certain vertically integrated operating companies under common ownership. The Predecessor reflects the historical combination of all facets of the vertically integrated business operations of the student housing related entities of the Company prior to its ownership of these entities.

On October 19, 2010, the Company completed an initial public offering (the Offering) of 28,333,333 shares of its common stock. This transaction resulted in gross proceeds to the Company of approximately \$354.2 million and expenses of approximately \$30.0 million for the underwriting discount and estimated expenses payable by the Company. On November 18, 2010, underwriters of the Offering closed on their option to purchase an additional 2,250,000 shares of common stock to cover the overallotment option granted by the Company to its underwriters. This transaction resulted in gross proceeds of approximately \$28.1 million and expenses of approximately \$1.7 million for the underwriting discount and estimated expenses payable by the Company. Total Offering-related proceeds to the Company as a result of both of these transactions totaled \$382.3 million and total expenses of approximately \$31.7 million for the underwriting discount and estimated expenses payable by the Company. The proceeds of the Offering, net of expenses incurred, were utilized primarily to reduce outstanding mortgage, construction loan and other indebtedness, acquire additional interests in our properties, acquire land for future development, and for working capital and general corporate purposes.

As a result of the Offering and certain formation transactions entered into in connection therewith (the Formation Transactions), the Company currently owns the sole general partner interest and limited partner interests in Campus Crest Communities Operating Partnership, LP (the Operating Partnership). As part of the Formation Transactions, the owner of the Predecessor and certain third-party investors were granted limited partnership interests in the Operating Partnership (OP units). The exchange of entities or interests therein for OP units has been accounted for as a reorganization of entities under common control. As a result, the Company's assets and liabilities are reflected at their historical cost basis.

The Company will elect to be taxed as a real estate investment trust, or REIT, for U.S. federal income tax purposes commencing with its taxable year ended December 31, 2010. As a REIT, the Company generally will not be subject to U.S. federal income tax on taxable income that it distributes currently to its stockholders.

The following table illustrates the number of properties in which the Company has interests, both operating and under construction, at December 31, 2010, and the Predecessor had interests, both operating and under construction, at December 31, 2009 and 2008:

	December 31, 2010	
Properties	Properties	Effective Ownership Percentage

	in Operation	Under Construction	
Consolidated entities(1)	21	7	100%
Unconsolidated entity	6		49.9%
Total	27	7	

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Table of Contents**CAMPUS CREST COMMUNITIES, INC. AND
CAMPUS CREST COMMUNITIES PREDECESSOR****NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**

	December 31, 2009		Effective Ownership Percentage
	Properties in Operation	Properties Under Construction	
Combined entities	20		5-52%
Uncombined entity	4	3	5-10%
Total	24	3	

	December 31, 2008		Effective Ownership Percentage
	Properties in Operation	Properties Under Construction	
Combined entities	19	1	30-52%
Uncombined entity		3	10%
Total	19	4	

- (1) Subsequent to December 31, 2010, two of the properties under construction were contributed to an unconsolidated entity in which the Company has an investment. See note 18.

2. Summary of Significant Accounting Policies***Basis of Presentation***

The accompanying consolidated and combined financial statements of the Company and Predecessor, respectively, have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) and include the financial position, results of operations and cash flows of the Company, the Operating Partnership and subsidiaries of the Operating Partnership. Third-party equity interests in the Operating Partnership are reflected as noncontrolling interests in the consolidated financial statements. The combined financial statements reflect the Predecessor, including ventures in which the Predecessor had a controlling interest. Interests in combined entities held by an entity other than the Predecessor are reflected as noncontrolling interests in the combined financial statements. The Company and Predecessor also have an interest in an unconsolidated entity which has ownership in several property owning entities that are accounted for under the equity method. All significant intercompany balances and transactions have been eliminated.

The Company, which was incorporated on March 1, 2010, had no operations for the period from its formation through October 18, 2010, as its primary purpose upon formation was to facilitate completion of the Offering and, upon completion, continue the operations of the Predecessor. As such, the Company's consolidated results of operations have been prepared and presented for the period from October 19, 2010 through December 31, 2010. Since the Predecessor's combined results of operations reflect the operations of the Company prior to its ownership of the entities which conduct these operations, the Predecessor's combined results of operations have been prepared and presented for the period from January 1, 2010 through October 18, 2010 and for the years ended December 31, 2009 and 2008.

Use of Estimates

The preparation of consolidated and combined 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

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Table of Contents**CAMPUS CREST COMMUNITIES, INC. AND
CAMPUS CREST COMMUNITIES PREDECESSOR****NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**

completion method, useful lives of student housing properties, valuation of investment in real estate, allocation of purchase price to newly acquired student housing properties, fair value of financial assets and liabilities, including derivatives, and allowance for doubtful accounts. It is at least reasonably possible that these estimates could change in the near term.

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:

Buildings	40 years
Improvements	20 years
Furniture, fixtures and equipment	3-10 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. Additionally, the Company capitalizes certain internal costs related to the development and construction of its 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 \$0.1 million, \$0.1 million, \$0.4 million and \$1.8 million was capitalized during the period from October 19, 2010 through December 31, 2010, the period from January 1, 2010 through October 18, 2010, and the years ended December 31, 2009 and 2008, respectively.

Pre-development 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. 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 writes 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 operating expenses in the accompanying consolidated and combined statements of operations. As of December 31, 2010 and 2009, we have deferred approximately \$0.9 million and \$3.3 million, respectively, in pre-development costs related to development projects that have not yet been acquired or for which construction has not commenced. Such costs are included in development in process on the accompanying consolidated and combined 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

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**CAMPUS CREST COMMUNITIES, INC. AND
CAMPUS CREST COMMUNITIES PREDECESSOR**

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)

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.

Property Acquisitions

The Company allocates the purchase price of acquired properties to net tangible and identified intangible assets based on relative fair values. Fair value estimates are based on information obtained from 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.

Ground Leases

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

Cash and Cash Equivalents

We consider all highly liquid investments with an original maturity of three months or less to be cash equivalents. We maintain cash balances in various banks. At times our balances may exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2010 and 2009, our deposits were covered under FDIC insurance. We do not believe cash and cash equivalents expose us to any significant credit risk.

Restricted Cash and Investments

Restricted cash includes escrow accounts held by lenders. 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. These funds are held in an interest bearing account covered under FDIC insurance. Restricted investments include certificates of deposit that do not qualify as cash equivalents and are required to be maintained by our lenders.

Deferred Financing Costs

We defer costs incurred in obtaining financing and amortize the costs over the terms of the related loans using the effective interest method. Upon repayment of or in conjunction with a material change in the terms of the underlying debt agreement, any unamortized costs are charged to earnings. Deferred financing costs, net of amortization, are included in other assets on the accompanying consolidated and combined balance sheets.

Intangible Assets

In connection with the San Marcos property acquisition (see note 8), the Company recorded approximately \$1.2 million related to management's estimate of the fair value of the in-place leases assumed. These

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**CAMPUS CREST COMMUNITIES, INC. AND
CAMPUS CREST COMMUNITIES PREDECESSOR**

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)

intangible assets are being amortized on a straight-line basis over the average remaining term of the underlying leases. Amortization expense was approximately \$0.3 million for the period from October 19, 2010 through December 31, 2010. The amortization of intangible assets is included in depreciation and amortization expense in the accompanying consolidated statement of operations.

Noncontrolling Interests

Noncontrolling interests represent the portion of equity in the Company's consolidated subsidiaries and the Predecessor's combined subsidiaries which are not attributable to the stockholders or the owner. Accordingly, noncontrolling interests are reported as a component of equity in the accompanying consolidated and combined balance sheets but separate from owner's equity (deficit). On the consolidated and combined statements of operations, operating results are reported at their consolidated and combined amounts, including both the amount attributable to us and to noncontrolling interests. See note 7.

Real Estate Ventures

We hold interests in all properties, both under development and in operation, through interests in both consolidated and unconsolidated real estate ventures. The Company assesses its investments in real estate ventures in accordance with applicable guidance under U.S. GAAP to determine if a venture is a Variable Interest Entity (VIE). We consolidate entities that are defined as 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. For entities that are not defined as VIEs, management first considers whether we are the general partner or a limited partner (or the equivalent in such investments which are not structured as partnerships). We consolidate entities 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 and, therefore, consolidation for financial reporting purposes.

In June 2009, the Financial Accounting Standards Board (FASB) issued new accounting guidance changing the consolidation analysis for VIEs and requiring a qualitative analysis to determine the primary beneficiary. The determination of the primary beneficiary of a VIE is based on whether the entity has the power to direct matters which most significantly impact the activities of the VIE and has the obligation to absorb losses, or the right to receive benefits, of the VIE which could potentially be significant to the VIE. It requires additional disclosures for VIEs, including disclosures about a reporting entity's involvement with VIEs, how a reporting entity's involvement with a VIE affects the reporting entity's financial statements, and significant judgments and assumptions made by the reporting entity to determine whether it must consolidate the VIE. We adopted this guidance during 2010, and the adoption did not have a material impact on our consolidated financial statements.

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, investments 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. When circumstances indicate there may have been a loss in value of an equity method investment, we evaluate the investment for impairment by estimating our ability to recover the investment from future expected discounted cash flows. If we determine

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**CAMPUS CREST COMMUNITIES, INC. AND
CAMPUS CREST COMMUNITIES PREDECESSOR**

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)

the loss in value is other than temporary, we recognize an impairment charge to reflect the investment at fair value.

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 are recorded as deferred revenues and included in other liabilities on the accompanying consolidated and combined balance sheets. Service revenue is recognized when earned.

Segments

We have identified two reportable business segments: student housing operations and 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. Operating segments that do not individually meet the aggregation criteria described in the accounting guidance may be combined with other operating segments that do not individually meet the aggregation criteria to form a separate reportable segment. Unallocated corporate amounts include general expenses associated with managing our two reportable operating segments.

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 revenue is recognized for contracts with entities we do not consolidate. For projects where the 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 the Company's ownership interest in the unconsolidated entity. Any incentive fees, net of the impact of our ownership interest if the entity is unconsolidated, 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.

Management fees, net of elimination to the extent of our ownership interest in an unconsolidated entity, are recognized when earned in accordance with each management contract for entities we do not consolidate. Incentive management fees are recognized when the incentive criteria are met.

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 that receivables are uncollectible, they are written off against the allowance for doubtful

accounts.

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Table of Contents**CAMPUS CREST COMMUNITIES, INC. AND
CAMPUS CREST COMMUNITIES PREDECESSOR****NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**

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

Year Ended December 31:	Balance at Beginning of Period	Charged to Expense	Write-Offs	Balance at End of Period
2008	\$ (288)	(1,047)	934	(401)
2009	\$ (401)	(1,639)	1,387	(653)
2010	\$ (653)	(1,215)	1,437	(431)

Marketing and Advertising Costs

Marketing and advertising costs are expensed during the period incurred. Marketing and advertising expenses approximated \$0.2 million, \$1.4 million, \$1.6 million and \$1.4 million for the period from October 19, 2010 through December 31, 2010, the period from January 1, 2010 through October 18, 2010, and for the years ended December 31, 2009, and 2008, respectively.

Derivative Instruments and Hedging Activities

In certain instances, interest rate cap agreements and interest rate swap agreements are used 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.

All derivative instruments are recognized as either assets or liabilities on the consolidated and combined 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 fair value or 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. The Company discontinues hedge accounting when: (i) it determines that the derivative is no longer effective in offsetting changes in the fair value or 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 and combined statements of operations. Also included within this line item are any required monthly settlements on the swaps as well as all cash settlements paid. The Company's counterparties are major financial institutions.

Fair Value of Financial Instruments

Financial instruments consist primarily of cash, cash equivalents, student receivables, interest rate caps, interest rate swaps, accounts payable, mortgages, construction notes payable and lines of credit. The carrying value of cash, cash equivalents, student receivables and accounts payable are representative of their respective fair values due to the short-term nature of these instruments. The estimated fair values of mortgages and construction notes payable 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 and construction notes payable. The fair values of mortgage and construction notes payable are disclosed in note 11.

The fair value of the interest rate caps and swaps are determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of the derivative. This analysis reflects the contractual terms of the derivative, including the period to maturity, and uses observable market-

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**CAMPUS CREST COMMUNITIES, INC. AND
CAMPUS CREST COMMUNITIES PREDECESSOR**

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)

based inputs, including interest rate curves, implied volatilities and the creditworthiness of the swap counterparties.

Fair value guidance for financial assets and liabilities which 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 the Company makes its 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.

Interest rate caps and interest rate swaps measured at fair value are as follows (amounts in thousands):

	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31,
Other assets:				
2010-Interest rate caps	\$	103		103
Other liabilities:				
2010-Interest rate swaps	\$	(452)		(452)
2009-Interest rate swaps	\$	(6,049)		(6,049)

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

The Company will elect to be treated as a REIT under Sections 856 through 859 of the Internal Revenue Code commencing with the Company's taxable year ended on December 31, 2010. The Company's qualification as a REIT depends upon its 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

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**CAMPUS CREST COMMUNITIES, INC. AND
CAMPUS CREST COMMUNITIES PREDECESSOR**

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)

sources of the Company's gross income, the composition and values of its assets, its distribution levels and the diversity of ownership of its stock. The Company believes that it is organized in conformity with the requirements for qualification and taxation as a REIT under the Internal Revenue Code and that the Company's intended manner of operation will enable it to meet the requirements for qualification and taxation as a REIT.

As a REIT, the Company generally will not be subject to U.S. federal and state income tax on taxable income that it distributes currently to its stockholders. If the Company fails to qualify as a REIT in any taxable year and does not qualify for certain statutory relief provisions, the Company 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 it lost its REIT qualification. Accordingly, the Company's failure to qualify as a REIT could materially and adversely affect it, including its ability to make distributions to its stockholders in the future. Even if the Company qualifies as a REIT, it may be subject to some U.S. federal, state and local taxes on its income or property and the income of its taxable REIT subsidiaries will be subject to taxation at normal corporate rates.

The Company wholly owns four taxable REIT subsidiary (TRS) entities that manage the Company's non-REIT activities and each is subject to federal, state and local income and franchise taxes. For the period from October 19, 2010 through December 31, 2010, neither the Company nor its TRS subsidiaries had a material current or deferred federal or state income tax provision or benefit.

The combined entities of the Predecessor are all limited liability companies or limited partnerships and have elected to be taxed as partnerships for federal income tax purposes. As a result, no provision for income taxes has been recorded in the accompanying combined financial statements of the Predecessor as all income and losses of the Predecessor are allocated to the owners for inclusion in their respective tax returns.

Comprehensive Loss

Comprehensive loss includes net loss and other comprehensive loss, which consists of unrealized losses on derivative instruments. Comprehensive loss is presented in the accompanying consolidated and combined statements of changes in equity (deficit) and comprehensive loss, and accumulated other comprehensive loss is displayed as a separate component of stockholders' equity.

Common Stock Issuances and Costs

Specific incremental costs directly attributable to issuances or sales of the Company's common stock are deferred and charged against the gross proceeds of the offering. As such, underwriting commissions and other common stock issuance costs are reflected as a reduction of additional paid-in capital.

Share-Based Compensation

The Company awards restricted stock and restricted OP unit awards that vest in equal annual installments over either a three or five year period. A restricted stock or OP unit award is an award of the Company's common stock or OP units that are subject to restrictions on transferability and other restrictions determined by the Company's 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 the Company's compensation committee and board of directors. The restrictions may lapse over a

specified period of employment or the satisfaction of pre-established criteria as the Company's compensation committee may determine. Except to the extent restricted under the award agreement, a participant awarded restricted shares or restricted 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 OP units. The fair value of the award is determined based on the market value of the Company's common stock on the grant date and is recognized on a straight-line basis over

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NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)

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. During the period from October 19, 2010 through December 31, 2010, \$0.2 million of compensation expense was recognized in the accompanying consolidated financial statements related to the vesting of restricted stock and restricted OP units. See note 12.

Recent Accounting Pronouncements

In January 2010, the FASB issued new accounting guidance requiring additional disclosure related to the fair value of financial instruments. Transfers between the three levels within the fair value hierarchy, as well as changes in an entity's Level 3 fair value instruments, require additional disclosure. This guidance is effective for us beginning on January 1, 2011. We are currently evaluating what impact, if any, its adoption will have on our consolidated financial statements.

3. Earnings per Share

Basic earnings per share is computed by dividing net loss attributable to common stockholders by the weighted average number of shares of the Company's common stock outstanding during the period. All unvested share-based payment awards are included in the computation of basic earnings per share. Diluted earnings per share reflect common shares issuable from the assumed conversion of OP units and restricted OP units, which are potentially dilutive securities.

A reconciliation of the numerators and denominators for basic and diluted earnings per share computations is not required as the Company reported a net loss for the period from October 19, 2010 through December 31, 2010, and therefore the effect of the inclusion of all potentially dilutive securities would be anti-dilutive when computing diluted earnings per share. Therefore, the computation of both basic and diluted earnings per share is the same. For the period from October 19, 2010 through December 31, 2010, 435,593 OP units and restricted OP units were not included in the computation of diluted earnings per share because the effects of their inclusion would be anti-dilutive.

4. Student Housing Properties

Student housing properties, net, consisted of the following (amounts in thousands):

	December 31,	
	2010	2009
Land	\$ 26,369	24,578
Buildings and improvements	304,447	286,120
Furniture, fixtures and equipment	41,930	36,459
	372,746	347,157
Accumulated depreciation	(57,463)	(38,999)
	\$ 315,283	308,158

Other assets includes approximately \$0.3 million and \$0.2 million, net of accumulated depreciation, related to corporate furniture, fixtures and equipment at December 31, 2010 and 2009, respectively.

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CAMPUS CREST COMMUNITIES PREDECESSOR****NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)****5. Variable Interest Entities**

As of December 31, 2009, each ground lessor shown below had been determined to be a VIE, of which the Predecessor was the primary beneficiary (dollar amounts in thousands):

Tenant/Ground Lessee(1)	Landlord/Ground Lessor	Rent Start Date	Original Term (In Years)	Annual Lease Payment
Campus Crest at Jonesboro, LLC	Jonesboro - CHR Campus Crest LLC	10/1/07	25	\$ 187
Campus Crest at Cheney, LLC	Cheney - CHR Campus Crest LLC	10/1/07	25	\$ 115
Campus Crest at Wichita, LLC	Wichita - CHR Campus Crest LLC	11/1/07	25	\$ 76
Campus Crest at Wichita Falls, LP	Wichita Falls - CHR Campus Crest LLC	8/1/07	25	\$ 178
Campus Crest at Waco, LP	Waco - CHR Campus Crest LLC	7/1/07	25	\$ 92
Campus Crest at Troy, LLC	Troy - CHR Campus Crest LLC	7/1/07	25	\$ 123
Campus Crest at Stephenville, LP	Stephenville - CHR Campus Crest LLC	7/1/07	25	\$ 107
Campus Crest at Murfreesboro, LLC	Murfreesboro - CHR Campus Crest LLC	8/1/07	25	\$ 215

(1) Each entity is combined within the combined financial statements of the Predecessor.

Each of these leases allowed us the option to purchase the property, subject to certain conditions, at any time after the fifth anniversary of the lease effective date for fair market value. Combination of these VIEs resulted in recording land related to student housing properties of \$13.0 million as of December 31, 2009. In conjunction with the Offering and Formation Transactions, the Company purchased the land formerly owned by these VIEs.

6. Ground Leases

Two of our consolidated operating properties are subject to ground leases, both on the campus of the University of South Alabama. Our future commitments are further described in note 16. 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 the 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. Below is a summary of our operating property ground leases as of December 31, 2010 (dollar amounts in thousands):

Property	Landlord	Rent Start Date	Original/ Remaining Term (In Years)(1)	Current Annual Lease Payment
Mobile Phase I	USA Research and Technology Corporation	10/31/06	40/35	\$ 84
Mobile Phase II	USA Research and Technology Corporation	3/1/08	38/35	\$ 125

(1) Lease contains options to renew for one additional 20-year term, followed by an additional term of 15 years if the first renewal is exercised.

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NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)

7. Noncontrolling Interests

Company Noncontrolling Interests Operating Partnership Units

Certain limited partners in the Operating Partnership, which total approximately 1.5% of the limited partnership interest in the Operating Partnership, hold their ownership units through entities which are not affiliates or subsidiaries of the Company. OP units are exchangeable into cash or, at the Company's election, an equal number of shares of the Company's common stock. OP units have the same economic characteristics as shares of the Company's common stock, as they effectively participate equally in the net income and distributions of the Operating Partnership.

The holders of OP Units have the right to require the Operating Partnership to redeem part or all of the OP Units for cash based upon the fair market value of an equivalent number of shares of the Company's common stock at the time of redemption. However, the Company may, in its sole discretion, elect to acquire the OP Units in exchange for common stock. Based on this assessment, which includes the evaluation of terms in the agreements related to redemption provisions, the Company has classified these OP units as noncontrolling interests as a component of permanent equity on the accompanying December 31, 2010 consolidated balance sheet. The share of net loss allocated to these OP units is reported on the accompanying consolidated statement of operations for the period October 19, 2010 through December 31, 2010 as net loss attributable to noncontrolling interests. For the period from October 19, 2010 through December 31, 2010, no OP units were exchanged.

Predecessor Noncontrolling Interests Third-Party Venture Partners

Prior to completion of the Offering, the Predecessor combined real estate ventures which wholly owned 20 operating properties. Each of these real estate ventures had third-party partners other than the Predecessor or its affiliates. The portion of ownership interests attributable to the third-party owners in these entities is classified as noncontrolling interests within equity on the accompanying combined balance sheets. Accordingly, the third-party owners' share of the income or loss of the entities is reported on the combined statements of operations as net loss attributable to noncontrolling interests.

Prior to January 1, 2009, losses and distributions were allocated to third-party owners up to, but not in excess of the third-party owners' investments. Losses and distributions in excess of third-party owners' investments were recognized entirely by the Predecessor. Beginning on January 1, 2009, in accordance with new accounting guidance, third-party owners were allocated losses in excess of their investment. The attribution of these losses to noncontrolling interests resulted, in certain instances, in the third-party owner having a deficit or negative noncontrolling interest balance, even in situations when it was not required to fund this balance.

8. Property Acquisitions

Operating Property Acquisition

On October 19, 2010, we acquired from HSRE the remaining interest in Campus Crest at San Marcos, LLC, which owns The Grove at San Marcos. Prior to this transaction, The Grove at San Marcos was wholly owned by a real estate venture in which the Company and HSRE are members and had 10% and 90% member interests, respectively. Prior to the acquisition of this interest, the Company accounted for its ownership interest in the property under the equity

method. Subsequent to its acquisition of this interest, the Company consolidates the results of operations of The Grove at San Marcos. In connection with the accounting for its purchase of the remaining interest in the property, the Company recorded a gain of approximately \$0.6 million related to the remeasurement of its previously held equity interest in the property at the acquisition date. The gain is included as a component of other income in the accompanying consolidated statements of operations.

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The purchase price of the remaining interest in Campus Crest at San Marcos, LLC was approximately \$9.2 million. As part of the transaction, the Company repaid a construction loan secured by the property. The purchase price was allocated as follows (in thousands):

Land	\$ 1,791
In-place leases	1,168
Buildings and improvements	22,335
Working capital	(99)
Debt	(14,936)
	10,259
Less estimated fair value of interest owned prior to acquisition	(1,024)
	\$ 9,235

Acquisition of Properties Under Development

During the period from October 19, 2010, through December 31, 2010, we acquired land at seven project sites. The total purchase price for these seven land sites was approximately \$14.6 million. The land sites purchased were in Ames, Iowa, Fort Wayne, Indiana, Clarksville, Tennessee, Orono, Maine, Denton, Texas, Valdosta, Georgia and Columbia, Missouri. The consideration paid for these land sites is recorded as development in process on the accompanying consolidated balance sheet at December 31, 2010. Additionally, we have incurred incremental costs to develop and construct properties at these sites, as well as at Fort Collins, Colorado, whose land is ground leased by us, of approximately \$8.7 million which is included as development in process.

Subsequent to December 31, 2010, the Company contributed its investment in the land, development and construction for projects in Denton, Texas, and Valdosta, Georgia to a venture in which we and HSRE are members. See note 18.

9. Sales of Interests in Properties and Real Estate Ventures

In November 2009, we sold 90% of our interest in The Grove at Milledgeville to HSRE II. We received proceeds from the sale of our interest of approximately \$3.9 million. In connection with the Offering and the Formation Transactions, the Company repurchased the 90% interest in HSRE II held by HSRE, with the result that the Company owned 100% of The Grove at Milledgeville on October 19, 2010, and HSRE II was dissolved. Because of our continuing involvement in this asset and because this transaction had financing elements, we did not record this transaction as a sale for financial reporting purposes. The proceeds were recorded as a related party loan and we continued to combine the balance sheet and operations of Campus Crest at Milledgeville, LLC, the entity which owns the property, through October 18, 2010. The difference between the sale proceeds and contracted repurchase price was accreted and recorded as interest expense in the Predecessor's accompanying combined statements of operations for the period from January 1, 2010 through October 18, 2010, and for the year ended December 31, 2009. For the period from January 1, 2010 through October 18, 2010 and the year ended 2009, interest expense related to this transaction totaled approximately \$2.5 million and \$0.2 million, respectively.

On March 26, 2010, we sold 99% of our interest in HSRE I, which represented a 9.9% interest in the underlying venture, to HSRE, and HSRE prepaid to us management fees related to certain properties. The total proceeds received from these transactions were \$2.25 million. In connection with the Offering and the Formation Transactions, the Company repurchased the 9.9% interest in HSRE I. As a result, the transactions were accounted for as a financing. The difference between the proceeds received and the contracted repurchase

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NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)

amount was accreted and recorded as interest expense in the Predecessor's accompanying combined statement of operations for the period from January 1, 2010 through October 18, 2010. For the period from January 1, 2010 through October 18, 2010, interest expense related to the transaction totaled approximately \$0.8 million.

On September 28, 2010, we sold 99.9% of our interest in The Grove at Carrollton to HSRE III. We received proceeds from the sale of our interest of approximately \$0.8 million. In connection with the Offering and the Formation Transactions, the Company repurchased the 99.9% interest in HSRE III held by HSRE, with the result that the Company owned 100% of The Grove at Carrollton on October 19, 2010, and HSRE III was dissolved. Because of our continuing involvement in this asset and because the transaction had financing elements, we did not record this transaction as a sale for financial reporting purposes. The proceeds were recorded as a related party loan and we continued to combine the balance sheet and operations of Campus Crest at Carrollton, LLC, the entity which owns the property, through October 18, 2010. The difference between the sale proceeds and contracted repurchase price was accreted and recorded as an interest expense in the Predecessor's accompanying combined statement of operations for the period from January 1, 2010 through October 18, 2010. For the period from January 1, 2010 through October 18, 2010, interest expense related to this transaction totaled approximately \$0.8 million.

10. Investment in Unconsolidated Entity

We have an investment in a real estate venture entity with HSRE, HSRE I, which is not consolidated by the Company and was not combined by our Predecessor. At December 31, 2010 and 2009, this entity, in which our investment is accounted for under the equity method, owned six and seven student housing properties, respectively. Four of these properties, The Grove at Lawrence, The Grove at Moscow, The Grove at San Angelo, and The Grove at San Marcos, opened in 2009. The remaining three properties, The Grove at Huntsville, The Grove at Conway, and The Grove at Statesboro opened in 2010. We held a 49.9% and 10% noncontrolling interest in this unconsolidated and uncombined entity at December 31, 2010 and 2009, respectively. As part of the Formation Transactions, we acquired 100% of the interest in The Grove at San Marcos and this property is consolidated as of December 31, 2010. See note 8.

We recorded equity in loss from this venture for the period from October 19, 2010 through December 31, 2010, the period from January 1, 2010 through October 18, 2010, and for the year ended December 31, 2009 of \$(0.2) million, \$(0.3) million and \$(0.1) million, respectively. We had no equity on earnings (loss) for the year ended December 31, 2008, as all assets owned by the entity at that date were under construction.

The Company acts as the operating member and day-to-day manager for the venture. We are entitled to receive fees for providing development and construction services (as applicable) and management services to the venture. The Company earned approximately \$0.1 million, \$35.6 million, \$60.7 million, and \$2.5 million in fees for the period from October 19, 2010 through December 31, 2010, the period from January 1, 2010 through October 18, 2010, and for the years ended December 31, 2009, and 2008, respectively, for services provided to the venture, which are reflected in Development, Construction and Management Services in the accompanying consolidated and combined statements of operations.

The Company is the guarantor of the construction debt of this venture which totaled approximately \$83.2 million at December 31, 2010.

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Condensed combined financial information for this entity as of and for the years ended December 31, 2010 and 2009 is as follows (amounts in thousands):

Balance Sheets

	December 31,	
	2010	2009
Assets:		
Student housing properties, net	\$ 112,224	72,488
Development in process		15,528
Other assets	5,444	4,377
Total assets	\$ 117,668	92,393
Liabilities and owner's equity:		
Construction debt	\$ 83,222	59,562
Other liabilities	5,117	3,210
Owner's equity	29,329	29,621
Total liabilities and owner's equity	\$ 117,668	92,393
Share of historical owner's equity	\$ 12,479	2,962
Preferred investment(1)	4,781	
Net difference in carrying value of investment versus net book value of underlying net assets(2)	(3,509)	18
Carrying value of investment in unconsolidated entity	\$ 13,751	2,980

(1) As of December 31, 2010, the Company has a Class B member interest in both The Grove at San Angelo and The Grove at Moscow of approximately \$2.3 million and \$2.5 million, respectively. These preferred interests entitle the Company to a 9.0% return on its investment but otherwise do not change the Company's effective 49.9% 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, the capitalization of additional investment in the unconsolidated entity, and the elimination of service related revenue to the extent of our percentage ownership.

Table of Contents**CAMPUS CREST COMMUNITIES, INC. AND
CAMPUS CREST COMMUNITIES PREDECESSOR****NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)****Statements of Operations**

	Period October 19, 2010 Through December 31, 2010	Period January 1, 2010 Through October 18, 2010	Year Ended December 31, 2009
Revenues	\$ 3,009	8,796	3,131
Expenses:			
Operating expenses	1,570	4,956	1,698
Interest expense	1,046	3,427	1,341
Depreciation and amortization	909	3,399	792
Total expenses	3,525	11,782	3,831
Net loss	\$ (516)	(2,986)	(700)
Company's share of net loss(1)	\$ (163)	(259)	(59)

(1) Amount differs from net loss multiplied by the Company's ownership percentage due to the amortization of the aggregate difference between our historical cost basis and our basis reflected at the entity level.

11. Debt

A detail of our construction and mortgage loans, lines of credit, and other debt is presented below (amounts in thousands):

	December 31, 2010	2009
Fixed-rate mortgage loans	\$ 60,840	164,840
Construction loans		164,262
Lines of credit and other debt	42,500	14,070
	\$ 103,340	343,172

Table of Contents**CAMPUS CREST COMMUNITIES, INC. AND
CAMPUS CREST COMMUNITIES PREDECESSOR****NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**

During the years ended December 31, 2010 and 2009, the following transactions occurred (amounts in thousands):

	December 31,	
	2010	2009
Balance at beginning of period	\$ 343,172	331,663
Additions:		
Draws on lines of credit	71,040	9,831
Draws on construction loans	497	9,826
Proceeds from related party loan(1)	3,021	3,872
Accretion of interest expense(1)	5,043	220
Deductions:		
Conversion of note to equity interest		(600)
Payments on lines of credit	(39,892)	(9,090)
Payments on construction loans	(152,244)	
Payments on related party loan	(10,782)	
Payments on mortgage loans	(116,515)	
Contribution of construction loan to real estate venture		(2,550)
Balance at end of period	\$ 103,340	343,172

(1) Relates to sale of 90% of our interest in Campus Crest at Milledgeville, LLC, sale of our 99.9% interest in Campus Crest at Carrollton, LLC, and sale of 99% of our interest in HSRE I and prepaid management fees. See note 9.

The estimated fair value of our construction and fixed rate mortgage loans at December 31, 2010 and 2009 was approximately \$62.9 million and \$331.0 million, respectively. These estimated fair values were determined by comparing current borrowing rates and risk spreads to the stated interest rates and risk spreads. The estimated fair value of our revolving line of credit approximates the outstanding balance due to the frequent market based repricing of the underlying variable rate index.

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Construction and mortgage loans are collateralized by properties and their related revenue streams. Construction and mortgage loans at December 31, 2010 and 2009 consisted of the following (dollar amounts in thousands):

	Face Amount	Principal Outstanding at 12/31/10	Principal Outstanding at 12/31/09	Stated Interest Rate	Interest Rate at 12/31/10	Interest Rate at 12/31/09	Maturity Date	Am
n loans								
e II Loan	\$ 15,875	\$	15,874	Greater of LIBOR + 3.00% or 5.50%	N/A	5.50%	10/31/2010	
ies)(1)	157,550		148,388	LIBOR + 1.80%	N/A	2.03%	10/31/2010	I
ans								
x)	104,000		104,000	6.40%	N/A	6.40%	2/28/2013	
	14,800	14,800	14,800	5.77%	5.77%	5.77%	4/11/2017	
	14,650	14,650	14,650	6.13%	6.13%	6.13%	10/11/2016	
Las	15,140	15,140	15,140	6.13%	6.13%	6.13%	10/11/2016	
e	16,250	16,250	16,250	6.12%	6.12%	6.12%	10/1/2016	
		\$ 60,840	329,102					

(1) Secured by The Grove at Cheney, The Grove at Jonesboro, The Grove at Lubbock, The Grove at Murfreesboro, The Grove at Stephenville, The Grove at Troy, The Grove at Waco, The Grove at Wichita and The Grove at Wichita Falls. At December 31, 2009, approximately \$136.4 million of the loan balance was hedged with a floating to fixed interest rate swap which, when taken together with the loan interest, fixed this portion of the loan's interest rate at 6.0%.

(2) Secured by The Grove at Abilene, The Grove at Ellensburg, The Grove at Greeley, The Grove at Jacksonville, The Grove at Mobile-Phase I and The Grove at Nacogdoches.

Mortgage Loans

In 2010, we had in place secured permanent financing of approximately \$60.8 million for four properties. In 2009, we had in place secured permanent financing of approximately \$164.8 million for 10 properties.

The loans for The Grove at Asheville, The Grove at Carrollton, The Grove at Milledgeville and The Grove at Las Cruces generally require interest only payments, plus certain reserves and escrows, that are payable monthly for a period of five years. Monthly payments of principal and interest, plus certain reserve and escrow amounts, are due thereafter until maturity when all principal is due. Each of these loans has a 30-year amortization and is a non-recourse obligation subject to customary or immaterial exceptions. None of these loans are cross-defaulted or cross-collateralized with any other indebtedness. The loans generally may not be prepaid prior to maturity; in certain cases, prepayment is allowed, subject to prepayment penalties.

The other mortgage loan was secured by six properties and had interest only payments with a balloon maturity date of February 28, 2013. This mortgage loan did not cross collateralize, nor was it cross defaulted to, any of the other debt facilities. This mortgage loan was repaid in full on October 19, 2010, upon completion of the Offering.

Construction Loans

In June 2007, we closed a construction loan in a principal amount of \$145.0 million of which \$10.0 million was included to be available for the issuance of letters of credit. This construction loan had an

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**CAMPUS CREST COMMUNITIES, INC. AND
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NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)

original maturity date of October 31, 2010, and an amended maturity date of January 31, 2011. The loan's interest rate was 2.37% at December 31, 2009. The loan was repaid in full on October 19, 2010, upon completion of the Offering.

In 2007, we entered into agreements for debt totaling approximately \$12.5 million with a related party who held a portion of the noncontrolling interests and was party to certain of our ground leases with VIEs. These loans accrued interest at LIBOR plus 1.80%, had an original maturity date of October 31, 2010, an amended maturity date of January 31, 2011, and were repaid in full on October 19, 2010, upon completion of the Offering.

In December 2009, we modified and extended the property construction loan for The Grove at Mobile Phase II. Modifications to the loan included: (i) the face/commitment amount was reduced to \$15.9 million from \$16.4 million, (ii) the interest rate was changed from LIBOR plus 1.80% to the greater of LIBOR plus 3.00% or a floor rate of 5.50% and (iii) the maturity date was extended to October 31, 2010. The loan was a full recourse loan secured by The Grove at Mobile Phase II. The loan was repaid in full on October 19, 2010, upon completion of the Offering.

On November 19, 2010, Campus Crest at Ames, LLC, Campus Crest at Clarksville, LLC, Campus Crest at Fort Collins, LLC and Campus Crest at Fort Wayne, LLC, each a Delaware limited liability company and subsidiary of the Company, and Campus Crest Communities Operating Partnership, LP, entered into a Construction Loan Agreement and Security Agreement with The PrivateBank and Trust Company, as Administrative Agent, pursuant to which The PrivateBank and Trust Company agreed to extend to the borrowers listed above a construction loan in the principal amount of approximately \$52.8 million. The construction loan will be used to finance the development of a student housing property in each of Ames, Iowa, Clarksville, Tennessee, Fort Collins, Colorado and Fort Wayne, Indiana. The construction loan initially matures on November 19, 2013, but can be extended until November 19, 2014, subject to certain conditions. The interest rate on the construction loan is LIBOR plus 4.75% and the construction loan agreement contains representations, warranties, covenants and other terms that are customary for construction financing.

Lines of Credit and Other Debt

On October 19, 2010, we closed a credit agreement (our revolving credit facility) with Citibank, N.A. and certain other parties thereto relating to a three-year, \$125 million senior secured revolving credit facility. This facility is secured by 12 of our wholly owned properties. Affiliates of Citigroup Global Markets Inc. act as administrative agent, collateral agent, lead arranger and book running manager, and affiliates of Raymond James & Associates, Inc., Citigroup Global Markets Inc., Goldman, Sachs & Co., Barclays Capital Inc. and RBC Capital Markets Corporation (together with other financial institutions) act as lenders under our revolving credit facility.

On October 19, 2010, we borrowed approximately \$49.5 million under our revolving credit facility which, along with a portion of the net proceeds from the Offering, was used to repay existing indebtedness, issue letters of credit and pay expenses related to the Offering and the Formation Transactions. Subsequent to completion of the Offering, we borrowed approximately \$19.0 million under our revolving credit facility, primarily to finance our required equity contribution for projects expected to be built and open for the 2011-2012 academic year. We used approximately \$26.0 million of proceeds from the sale of common shares to cover the overallotment option granted by the Company to the underwriters to repay amounts borrowed and outstanding under this facility. As of December 31, 2010, approximately \$42.5 million was outstanding under our revolving credit facility and approximately \$53.8 million of borrowing capacity was available under this facility.

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**CAMPUS CREST COMMUNITIES, INC. AND
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NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)

The amount available for us to borrow under this credit facility is based on a percentage of the appraisal value of our properties that form the borrowing base of the facility. We intend to pursue alternative, longer-term financing for some or all of the properties, which, as of December 31, 2009, secured our mortgage loan with Silverton Bank since they were released from the lien of that mortgage upon its repayment in full in connection with the Offering and our Formation Transactions. For eligible properties, this may include debt financing provided by Freddie Mac or Fannie Mae.

Additionally, our revolving credit facility has an accordion feature that allows us to request an increase in the total commitments of up to \$75 million to \$200 million. Amounts outstanding under our revolving credit facility bear 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 2.75% to 3.50% for Eurodollar Rate based borrowings and from 1.75% to 2.50% for Base Rate based borrowings.

Our ability to borrow under our revolving credit facility is subject to our ongoing compliance with a number of customary financial covenants, including:

a maximum leverage ratio of 0.60 : 1.00;

a minimum fixed charge coverage ratio of 1.50 : 1.00;

a minimum ratio of fixed rate debt and debt subject to hedge agreements to total debt of 66.67%;

a maximum secured recourse debt ratio of 20%; and

a minimum tangible net worth of the sum of 75% of our tangible net worth plus an amount equal to 75% of the net proceeds of any additional equity issuances.

Under our revolving credit facility, our distributions may not exceed the greater of (i) 90.0% of our Funds From Operations (FFO) or (ii) the 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 may be precluded from making certain distributions (other than those required to allow us to qualify and maintain our status as a REIT).

We and certain of our subsidiaries guarantee the obligations under our revolving credit facility and we and certain of our subsidiaries have pledged specified assets (including real property), stock and other interests as collateral for our revolving credit facility obligations.

The Predecessor obtained a \$6.0 million line of credit in May 2007 with an interest rate of 10.50% per annum. Ownership of the lender included the Predecessor's owner and a third-party investor in all of the Predecessor's combined property owning entities. Interest only payments were due August 1, 2007 and continuing quarterly thereafter with the entire principal balance, including accrued interest, due and payable in full April 30, 2009. In April 2009, the terms of the line of credit were amended. The new terms extended the maturity date to April 30, 2011 and increased the interest rate to 12.00% per annum. At December 31, 2009, \$6.0 million was outstanding on this line of credit. The line of credit was repaid in full on October 19, 2010, upon completion of the Offering.

In July 2009, the Predecessor obtained a \$4.0 million line of credit with an interest rate of prime plus 1.00% and with an interest rate floor of 5.00%. Interest only was payable monthly; all outstanding principal was originally due on August 5, 2010. The line's maturity date was extended to October 15, 2010. The interest rate and outstanding principal balance on this line of credit at December 31, 2009 were 5.00% and \$4.0 million, respectively. The line of credit was repaid in full on October 19, 2010, upon completion of the Offering.

Table of Contents**CAMPUS CREST COMMUNITIES, INC. AND
CAMPUS CREST COMMUNITIES PREDECESSOR****NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)*****Related Party Loans***

See note 9 for information related to our obligation to HSRE as a result of the transactions involving The Grove at Milledgeville, The Grove at Carrollton and the sale of our interest in HSRE I.

Schedule of Debt Maturities

Scheduled debt maturities for each of the five years subsequent to December 31, 2010 and thereafter, are as follows (dollars in thousands):

2011	\$ 82
2012	625
2013	43,234
2014	781
2015	830
Thereafter	57,788
	\$ 103,340

Amortization of deferred financing costs approximated \$1.6 million, \$0.8 million, \$0.8 million and \$0.8 million for the period from October 19, 2010 through December 31, 2010, the period from January 1, 2010 through October 18, 2010, and the years ended December 31, 2009 and 2008, respectively.

Compliance with Debt Covenants

At December 31, 2010, we were in compliance with the above financial covenants with respect to our revolving credit facility.

At December 31, 2009, we were not in compliance with certain covenants under our construction loan with Wachovia Bank, the covenant relating to unresolved liens or claims for materials or labor under a construction loan from Wachovia Bank to HSRE I (an unconsolidated entity), and covenants specifying debt service coverage and debt yield percentages under our mortgage loan with Silverton Bank. We received waivers of non-compliance from each lender for the periods of non-compliance through the date of the Offering. Upon completion of the Offering, all liens were resolved and released and both the construction loan with Wachovia Bank and the mortgage loan with Silverton Bank were fully repaid, curing all outstanding debt covenant violations as of October 19, 2010.

Encore Transaction

On August 2, 2010, we entered into an agreement with Encore Interests, Inc., a Delaware corporation (*Encore*), for the formation of CC-Encore, LLC, a Delaware limited liability company (*CC-Encore*), and we contributed to CC-Encore and pledged to Encore interests in certain of our properties and subsidiaries. Encore contributed \$2.5 million to CC-Encore in exchange for a preferred membership interest. CC-Encore loaned the net proceeds from Encore s

contribution to one of our subsidiaries to be used for working capital purposes. The loan had an interest rate of 0.7% per annum and all principal and interest was payable on January 1, 2014 if CC-Encore did not exercise a payment demand prior to such date. Additionally, we were contractually obligated to repurchase the preferred membership interest upon completion of the Offering for \$3.9 million. Pursuant to its contractual obligation, the Company purchased Encore's preferred membership interest on October 19, 2010, upon completion of the Offering, for \$3.9 million, at which time the venture with Encore was terminated and dissolved and the Company owned 100% of the interests contributed to CC-Encore and pledged to Encore.

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Table of Contents**CAMPUS CREST COMMUNITIES, INC. AND
CAMPUS CREST COMMUNITIES PREDECESSOR****NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)**

We were subject to financial and other covenants under the terms of the agreement pursuant to which Encore purchased the preferred membership interest. Because of our continuing involvement in these assets and because the transaction had financing elements, this transaction was accounted for as a financing. The difference between the price of the preferred membership interest and its repurchase price was accreted and recorded as interest expense. For the period January 1, 2010 through October 18, 2010, interest expense related to this transaction totaled approximately \$1.4 million.

12. Incentive Plans

The Company has adopted the 2010 Equity Incentive Compensation Plan (the Plan). The Plan permits the grant of incentive awards to executive officers, employees, consultants and non-employee directors of the Company. The aggregate number of awards approved under the Plan is 2,500,000. Pursuant to the Plan, each share issued pursuant to an award under the Plan, other than options or stock appreciation rights, reduces the number of shares available for issuance under the Plan by two shares. Each share issued pursuant to an award under the Plan which is forfeited increases the number of shares available for issuance under the Plan by two shares. As of December 31, 2010, 2,002,236 shares are available for issuance under the plan.

Restricted Stock Awards

Awards to executive officers and employees of the Company 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 of the Company vest over a five year period and are subject to restriction based upon continued service on the Board of Directors of the Company.

At December 31, 2010, unearned compensation totaled \$1.1 million, and will be recorded as expense over the applicable vesting period of three to five years. During the period from October 19, 2010 through December 31, 2010, stock compensation expense of \$0.1 million was recognized as general and administrative expense in the accompanying consolidated financial statements related to the vesting of restricted stock.

Restricted OP Units

At December 31, 2010, unearned compensation totaled \$1.8 million, and will be recorded over the applicable vesting period of three years. During the period from October 19, 2010 through December 31, 2010, \$0.1 million of compensation expense was recognized in the accompanying consolidated financial statements relating to the vesting of restricted OP units.

A summary of incentive plan activity as of December 31, 2010, and for the period from October 19, 2010 through December 31, 2010 is as follows (in thousands, except per share data):

Number of Restricted OP	Number of Restricted Common	Weighted Average Grant Date
--	--	--

	Units	Shares	Total	Fair Value
Nonvested balances at October 19, 2010				\$
Granted at Offering	150,000	102,777	252,777	12.50
Forfeited		(3,895)	(3,895)	12.50
Nonvested balances at December 31, 2010	150,000	98,882	248,882	\$ 12.50

13. Derivative Instruments and Hedging Activities

We use significant 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. Management enters into

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**CAMPUS CREST COMMUNITIES, INC. AND
CAMPUS CREST COMMUNITIES PREDECESSOR**

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)

derivative contracts to limit variability for a portion of our interest payments and to manage exposure to interest rate risk. We use derivative financial instruments, specifically interest rate caps and interest rate swaps, for non-trading purposes.

As of December 31, 2010 and 2009, the fair value of derivative contracts is recorded within other assets and other liabilities in the accompanying consolidated and combined 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 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.

The following table is a summary of the terms, estimated fair values and classification on the consolidated and combined balance sheets as of December 31, 2010 and 2009, respectively, of the interest rate derivative contracts we were a party to at December 31, 2010 and 2009 (dollar amounts in thousands):

Interest Rate Derivative Instrument	Hedged Item	Notional Amount	Fixed Interest Rate	Maturity Date	Estimated Fair Value	Estimated Fair Value
					at December 31, 2010	at December 31, 2009
Cap (2,5)	30-day LIBOR	\$ 44,000	2.50%	January 2011	\$	N/A
Cap (2,5)	30-day LIBOR	\$ 3,126(1)	1.25%	April 2013	103	N/A
Swap (2,5)	30-day LIBOR	\$ 3,126(1)	1.39%	April 2013	(115)	N/A
Swap(6)	30-day LIBOR	\$ 136,409	6.00%	(3)		(4,424)
Swap(6)	30-day LIBOR	\$ 25,488(4)	3.44%	May 2011	(337)	(1,625)
					\$ (349)	(6,049)

(1) Notional amount increases to \$18,701 over the life of the derivative contract.

- (2) The Predecessor was not a party to this contract at December 31, 2009.
- (3) The Company amended and terminated this interest rate swap upon completion of the Offering. The swap liability of approximately \$0.2 million was repaid.
- (4) Notional amount was \$45,000 at December 31, 2009. Upon amendment of swap agreement, approximately \$0.4 million of the existing swap liability was repaid.
- (5) Designated as a cash flow hedge.
- (6) Not designated as a hedging instrument.

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**CAMPUS CREST COMMUNITIES, INC. AND
CAMPUS CREST COMMUNITIES PREDECESSOR**

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)

The tables below reflect the effect of interest rate derivative instruments on other comprehensive income and on the consolidated and combined statements of operations for the period from October 19, 2010 through December 31, 2010, the period from January 1, 2010 through October 18, 2010, and for the years ended December 31, 2009 and 2008 (amounts in thousands):

	Amount of Income (Loss) Recognized in OCI on Derivatives (Effective Portion)		
	Period October 19, 2010 Through	Period January 1, 2010 Through	Year Ended December 31, 2009 2008
	December 31, 2010	October 18, 2010	
Derivatives Designated as Cash Flow Hedges			
Caps	\$ (57)		
Swaps (receive float/pay fixed)	(115)		
Total effect of derivative instruments on other comprehensive income	\$ (172)		

	Location of Gain (Loss) Recognized on Statements of Operations	Period October 19, 2010 Through	Period January 1, 2010 Through	Year Ended December 31,	
		December 31, 2010	October 18, 2010	2009	2008
Derivatives not Designated as Hedging Instruments					
Swaps (receive float/pay fixed):					
Monthly net settlements-cash settled	Change in fair value of interest rate derivatives	\$ 7	(4,131)	(2,373)	(244)
Mark to market adjustments-cash settled	Change in fair value of interest rate derivatives			(310)	(1,100)
Mark to market adjustments-non-cash	Change in fair value of interest rate derivatives	139	5,002	3,480	(7,414)
Total effect of derivative instruments on the consolidated and combined		\$ 146	871	797	(8,758)

statements of operations

Periodic swap settlements of \$0.1 million were capitalized to student housing properties for the year ended December 31, 2009.

14. Related Party Transactions

The Company leases aircraft from entities in which two of the Company's executive officers have an ownership interest. For the period from October 19, 2010 through December 31, 2010, the period from January 1, 2010 through October 18, 2010, and for the years ended December 31, 2009 and 2008, the Company and its Predecessor incurred travel costs to these entities of approximately \$0.3 million, \$0.8 million, \$2.0 million, and \$2.1 million, respectively.

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.

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**CAMPUS CREST COMMUNITIES, INC. AND
CAMPUS CREST COMMUNITIES PREDECESSOR**

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)

The following tables set forth our segment information as of and for the period from October 19, 2010, through December 31, 2010, the period from January 1, 2010 through October 18, 2010, and for the years ended December 31, 2009 and 2008 (amounts in thousands):

	Period October 19, 2010 Through	Period January 1, 2010 Through	Year Ended December 31,	
	December 31, 2010	October 18, 2010	2009	2008
Student Housing Operations:				
Revenues from external customers	\$ 10,786	41,071	45,973	31,611
Operating expenses	9,312	38,660	42,997	29,481
Operating income	1,474	2,411	2,976	2,130
Nonoperating expenses	(1,982)	(13,104)	(14,747)	(23,492)
Net loss	(508)	(10,693)	(11,771)	(21,362)
Net loss attributable to noncontrolling interest	(5)	(7,479)	(10,486)	(870)
Net loss attributable to stockholders and owner	\$ (503)	(3,214)	(1,285)	(20,492)
Depreciation and amortization	\$ 3,911	14,660	18,205	13,043
Total segment assets at end of period	\$ 361,942		310,075	319,052
Development, Construction and Management Services:				
Revenues from external customers	\$ 74	35,557	60,711	2,505
Intersegment revenues	553	6,813	18,537	123,264
Total revenues	627	42,370	79,248	125,769
Operating expenses	1,731	38,585	76,305	122,535
Operating (loss) income	(1,104)	3,785	2,943	3,234
Nonoperating expenses	(1)	(31)	(108)	(520)
Net (loss) income	(1,105)	3,754	2,835	2,714
Net loss attributable to noncontrolling interest	(11)			
	\$ (1,094)	3,754	2,835	2,714

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Net (loss) income attributable to stockholders and owner

Depreciation and amortization	\$	17	70	165	54
Total segment assets at end of period	\$	9,758		28,926	30,048
Reconciliations:					
Total segment revenues	\$	11,413	83,441	125,221	157,380
Elimination of intersegment revenues		(553)	(6,813)	(18,537)	(123,264)
Total consolidated and combined revenues	\$	10,860	76,628	106,684	34,116
Segment operating income	\$	370	6,196	5,919	5,364
Interest expense		(2,519)	(20,836)	(15,871)	(14,946)
Change in fair value of interest rate derivatives		146	871	797	(8,758)
Net unallocated income (expenses) and eliminations		(60)	(6,667)	(8,053)	(7,707)
Equity in loss of unconsolidated entity		(163)	(259)	(59)	
Other income (expense)		621	43	44	(50)
Net loss	\$	(1,605)	(20,652)	(17,223)	(26,097)
Total segment assets	\$	371,700		339,001	349,100
Unallocated corporate assets and eliminations		(443)		(7,205)	(6,945)
Total assets	\$	371,257		331,796	342,155

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Table of Contents**CAMPUS CREST COMMUNITIES, INC. AND
CAMPUS CREST COMMUNITIES PREDECESSOR****NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)****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, 2010, management does not anticipate any material deviations from schedule or budget related to 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 the assets of the Company 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.

At December 31, 2009, there were unresolved liens or claims for materials or labor for The Grove at Moscow, The Grove at San Angelo and The Grove at San Marcos. The liens and claims related to the role of Campus Crest Construction, LLC as general contractor in connection with the construction of these three properties. As of December 31, 2009, we had recorded a liability of approximately \$0.4 million relating to these liens and claims. These liens were released and all related claims were settled for their recorded amounts in October 2010 upon completion of the Offering.

We lease space for our corporate headquarters office. Rent expense is recognized on a straight-line basis and included in general and administrative expense. Future minimum payments over the life of our corporate office lease and the ground leases described in note 6 subsequent to December 31, 2010 are as follows (amounts in thousands):

2011	\$ 559
2012	770
2013	779
2014	799
2015	454
Thereafter	19,637
Total future minimum lease payments	\$ 22,998

Contingencies

In the normal course of business, we are subject to claims, lawsuits and legal proceedings. While it is not possible to ascertain the ultimate outcome of all such matters, management believes that the aggregate amount of such liabilities, if any, in excess of amounts provided or covered by insurance, will not have a material adverse effect on the consolidated financial position or consolidated results of operations of the Company or the combined financial position or combined results of operations of the Predecessor. We are not involved in any material litigation nor, to

management's knowledge, is any material litigation currently threatened against us or our properties or subsidiaries, other than routine litigation arising in the ordinary course of business.

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 results of operations and cash flows.

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**CAMPUS CREST COMMUNITIES, INC. AND
CAMPUS CREST COMMUNITIES PREDECESSOR**

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)

17. Quarterly Financial Information (Unaudited and in thousands)

The information presented below represents the consolidated and combined financial results of the Company and the Predecessor, respectively, for the years ended December 31, 2010 and 2009.

	2010					Total
	1st Quarter	2nd Quarter	3rd Quarter	October 1- October 18	October 19- December 31	
Revenues	\$ 28,557	28,050	16,930	3,091	10,860	87,488
Operating expenses	\$ 27,279	26,961	16,653	6,206	10,550	87,649
Nonoperating expenses	\$ (4,413)	(6,050)	(6,531)	(2,928)	(1,752)	(21,674)
Net loss	\$ (3,215)	(5,075)	(6,303)	(6,059)	(1,605)	(22,257)

	2009				Total
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	
Revenues	\$ 21,689	37,799	29,453	17,743	106,684
Operating expenses	\$ 21,222	37,552	29,435	20,609	108,818
Nonoperating expenses	\$ (3,135)	(1,573)	(5,416)	(4,906)	(15,030)
Net loss	\$ (2,668)	(1,326)	(5,430)	(7,799)	(17,223)

18. Subsequent Events

On January 20, 2011, we entered into a joint venture with HSRE, HSRE-Campus Crest IV, LLC, which we refer to as HSRE IV, to which HSRE will contribute up to \$50 million, that will develop and operate additional purpose-built student housing properties. We own a 20% interest in this venture and affiliates of HSRE own the balance.

In general, we are responsible for the day-to-day management of the venture'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 the venture, we will receive fees for providing services to the venture pursuant to development and construction agreements and property management agreements. In general, we will earn development fees equal to approximately 4% of the total cost of each property developed by the venture (excluding the cost of land and financing costs), construction fees equal to approximately 5% of the construction costs of each property developed by the venture and management fees equal to approximately 3% of the gross revenues and 3% of the net operating income of operating properties held by the venture. 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 would 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), which could materially and adversely affect the fee income realized from any such project. 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 \$50 million in the venture or caused the venture to decline three development opportunities in any calendar year. As of March 11, 2011, HSRE had funded approximately \$7.7 million of the \$50 million right of first opportunity. The terms of this venture do not prohibit us from developing a wholly owned student housing property for our own account.

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**CAMPUS CREST COMMUNITIES, INC. AND
CAMPUS CREST COMMUNITIES PREDECESSOR**

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (Continued)

HSRE IV is currently building two new student housing properties with completion targeted for the 2011-2012 academic year. The properties, located in Denton, Texas, and Valdosta, Georgia, will contain an aggregate of approximately 1,168 beds and will have an estimated cost of approximately \$46.1 million.

On March 8, 2011, our wholly owned subsidiary Campus Crest at Columbia, LLC closed a construction loan in the principal amount of approximately \$17.0 million with BOKF, NA dba Bank of Oklahoma. The loan bears interest at one-month LIBOR plus 300 basis points (with a 4.50% floor), has an initial maturity of three years with a 12-month extension option, subject to certain conditions, and is interest-only for the first 24 months of the term.

Table of Contents**Schedule III Real Estate and Accumulated Depreciation as of December 31, 2010**

Student Housing Properties	Initial Cost	Costs Capitalized Subsequent to Development		Land	Total Costs Student Housing Properties		Accum. Depr.	Encumbrances	Year Built	Depreciation Lives
					Total	Total				
One Grove at Asheville	\$ 12,604	355	51		12,908	12,959	(3,644)	(14,800)	2005	40
One Grove at Carrollton	13,294	297	1,104		12,487	13,591	(3,327)	(14,650)	2006	40
One Grove at Las Cruces	16,025	110	1,098		15,037	16,135	(3,589)	(15,140)	2006	40
One Grove at Milledgeville	14,543	171	942		13,772	14,714	(3,595)	(16,250)	2006	40
One Grove at Abilene	16,962	164	1,361		15,765	17,126	(3,154)		2007	40
One Grove at Ellensburg	20,827	127	1,483		19,471	20,954	(3,467)		2007	40
One Grove at Greeley	19,971	235	1,454		18,752	20,206	(3,224)		2007	40
One Grove at Jacksonville	17,567	209	892		16,884	17,776	(3,303)		2007	40
One Grove at Mobile Phase I	15,823	103	98		15,828	15,926	(3,120)		2007	40
One Grove at Nacogdoches	19,005	139	1,589		17,555	19,144	(3,215)		2007	40
One Grove at Cheney	18,788	204	1,347		17,645	18,992	(2,537)		2008	40
One Grove at Jonesboro	17,761	107	2,156		15,712	17,868	(2,449)		2008	40
One Grove at Lubbock	18,229	102	1,520		16,811	18,331	(2,490)		2008	40
One Grove at Mobile Phase II	16,752	99	52		16,799	16,851	(2,354)		2008	40
One Grove at Stephenville	17,100	54	1,250		15,904	17,154	(2,543)		2008	40
One Grove at Troy	18,248	185	1,433		17,000	18,433	(2,575)		2008	40
One Grove at Waco	17,566	101	1,094		16,573	17,667	(2,590)		2008	40
One Grove at Wichita	16,951	65	911		16,105	17,016	(2,518)		2008	40
One Grove at Wichita Falls	17,955	97	2,065		15,987	18,052	(2,459)		2008	40
One Grove at Murfreesboro	19,651	74	2,678		17,047	19,725	(1,184)		2009	40
One Grove at San Marcos	24,126		1,791		22,335	24,126	(126)		2009	40
Total-student housing properties	\$ 369,748	2,998	26,369		346,377	372,746	(57,463)	(60,840)		

(1) The life to compute depreciation on buildings is 40 years. Furniture, fixtures, equipment and building improvements are depreciated over periods of up to 20 years.

Table of Contents**NOTES TO SCHEDULE III****Schedule III Real Estate and Accumulated Depreciation as of December 31, 2010**

The changes in our investment in real estate and related accumulated depreciation for each of the years ended December 31, 2010, 2009 and 2008 are as follows (amounts in thousands):

	For the Year Ended December 31,		
	2010	2009	2008
Investment in real estate:			
Balance, beginning of year	\$ 347,157	326,217	182,788
Improvements and development expenditures	25,937	23,965	143,429
Disposition of properties	(71)	(3,025)	
Other reclassifications	(277)		
Balance, end of year	\$ 372,746	347,157	326,217
Accumulated depreciation:			
Balance, beginning of year	\$ 38,999	20,794	7,752
Depreciation for the year	18,299	18,205	13,042
Disposition of properties	(21)		
Other reclassifications	186		
Balance, end of year	\$ 57,463	38,999	20,794
Development in process	24,232	3,300	15,742
Investment in real estate, net	\$ 339,515	311,458	321,165