Campus Crest Communities, Inc.
Form S-11/A
September 29, 2010

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**As filed with the Securities and Exchange Commission on September 29, 2010**
**Registration Statement No. 333-166834**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

**Amendment No. 7**
**to**
**Form S-11**
**FOR REGISTRATION**
**UNDER**
**THE SECURITIES ACT OF 1933**
**OF SECURITIES OF CERTAIN REAL ESTATE COMPANIES**

**CAMPUS CREST COMMUNITIES, INC.**
*(Exact Name of Registrant as Specified in Governing Instruments)*

**2100 Rexford Road, Suite 414**
**Charlotte, NC 28211**
**(704) 496-2500**
*(Address, Including Zip Code and Telephone Number, Including Area Code, of Registrant s Principal Executive Offices)*

**Ted W. Rollins**
**Chief Executive Officer**
**2100 Rexford Road, Suite 414**
**Charlotte, NC 28211**
**(704) 496-2500**
*(Name, Address, Including Zip Code and Telephone Number, Including Area Code, of Agent for Service)*

***Copies to:***

| | | |
|---|---|---|
| **Paul S. Ware** | **Jonathan Golden** | **J. Gerard Cummins** |
| **J. Andrew Robison** | **Arnall Golden Gregory LLP** | **Bartholomew A. Sheehan III** |
| **Bradley Arant Boult Cummings LLP** | **171 17th Street NW** | **Sidley Austin LLP** |
| **1819 Fifth Avenue North** | **Suite 2100** | **787 Seventh Avenue** |
| **Birmingham, AL 35203** | **Atlanta, GA 30363-1031** | **New York, NY 10019** |
| **(205) 521-8000** | **(404) 873-8500** | **(212) 839-5300** |

**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effective date of this Registration Statement.

If any of the Securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. o

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

| | | | |
|---|---|---|---|
| Large accelerated filer o | Accelerated filer o | Non-accelerated filer þ<br>(Do not check if a smaller reporting company) | Smaller reporting company o |

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

**Subject to Completion dated September 29, 2010**

**PROSPECTUS**

**28,333,333 Shares**

**Campus Crest Communities, Inc.**

**Common Stock**

*Campus Crest Communities, Inc. is a self-managed, self-administered and vertically-integrated developer, builder, owner and manager of high-quality, purpose-built student housing. Prior to this offering, our business was conducted through Campus Crest Group, LLC, which is wholly-owned and controlled by Ted W. Rollins, our co-chairman and chief executive officer, and Michael S. Hartnett, our co-chairman and chief investment officer, and certain members of their families. Upon completion of this offering and our formation transactions, we will own interests in 27 student housing properties containing approximately 13,580 beds.*

*This is our initial public offering. We are offering 28,333,333 shares of our common stock, $0.01 par value per share. We expect the initial public offering price of our common stock to be between $12.50 and $14.50 per share. Currently, no public market exists for our common stock. Our common stock has been approved for listing on the New York Stock Exchange under the symbol CCG, subject to official notice of issuance.*

*We are organized as a Maryland corporation and intend to elect and qualify to be taxed as a real estate investment trust for U.S. federal income tax purposes commencing with our taxable year ending December 31, 2010. Subject to certain exceptions described in this prospectus, upon completion of this offering, our charter will provide that no person may own, or be deemed to own, more than 9.8% by vote or value, whichever is more restrictive, of either our outstanding common stock or our outstanding capital stock in the aggregate.*

**Investing in our common stock involves significant risks. You should read the section entitled Risk Factors beginning on page 25 of this prospectus for a discussion of the risks that you should consider before investing in our common stock.**

| | Per Share | Total |
|---|---|---|
| Public offering price | $ | $ |
| Underwriting discount(1) | $ | $ |
| Proceeds, before expenses, to us | $ | $ |

(1) Excludes a structuring fee payable to Raymond James & Associates, Inc. of 0.60% of the total public offering price of our common stock sold in this offering and a fee for services rendered in connection with various financing and purchase and sale arrangements payable to Raymond James & Associates, Inc. of $1.5 million. See Underwriting.

*The underwriters may purchase up to an additional 4,250,000 shares of our common stock from us at the initial public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover overallotments, if any.*

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

*The underwriters expect to deliver the common stock on or before , 2010.*

**Raymond James** **Citi** **Goldman, Sachs & Co.** **Barclays Capital** **RBC Capital Markets**

**Baird**

**The date of this prospectus is September , 2010**

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You should rely only on the information contained in this prospectus or in any free writing prospectus prepared by us. We have not, and the underwriters have not, authorized anyone to provide you with any additional or different information. If anyone provides you with additional or different information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus or such other date as specified herein. Our business, financial condition, liquidity, funds from operations, or FFO, results of operations and prospects may have changed since such dates.

Unless the context otherwise requires, references to company, we, us and our refer to (i) Campus Crest Communiti Inc., a Maryland corporation, and its consolidated subsidiaries, including Campus Crest Communities Operating Partnership, LP, a Delaware limited partnership, through which we will conduct substantially all of our business, which we refer to as our operating partnership, except where it is clear from the context that the term means only the issuer of the common stock offered hereby, Campus Crest Communities, Inc., and (ii) with respect to the period prior to the completion of this offering, the business of our predecessor entities through which Campus Crest Group, LLC, a North Carolina limited liability company, or Campus Crest Group, carried out the development, construction, ownership and management of the properties that we will own interests in upon completion of this offering and our formation transactions; references to predecessor entities refer to one or more of the joint venture arrangements that owned our properties and the entities through which Campus Crest Group carried out our business; references to MXT Capital refer to MXT Capital, LLC, a Delaware limited liability company, which is wholly-owned and controlled by Ted W. Rollins, our co-chairman and chief executive officer, and Michael S. Hartnett, our co-chairman and chief investment officer, and certain members of their families, and is the sole owner of Campus Crest Group; references to the Ricker Group refer to Carl H. Ricker, Jr. and the vehicles through which Mr. Ricker or an affiliated party held interests in our predecessor entities; references to HSRE refer to Harrison Street Real Estate Capital and its affiliates that held interests in our predecessor entities; references to Encore refer to Encore Interests, Inc., a Delaware corporation; references to CC-Encore refer to CC-Encore, LLC, a Delaware limited liability company; references to common stock refer to shares of common stock, $0.01 par value per share, in Campus Crest Communities, Inc.; and references to OP units refer to limited partnership units in our operating partnership that are exchangeable, subsequent to the one-year anniversary of the completion of this offering, for cash or, at our option, common stock on a one-for-one basis. Unless otherwise indicated, the information contained in this prospectus assumes that (a) the common stock to be sold in this offering is sold at $13.50 per share, the mid-point of the price range set forth on the cover page of this prospectus, and (b) the underwriters overallotment option is not exercised.

## Industry and Market Data

We use market data, industry forecasts and projections throughout this prospectus. We have obtained portions of this information from a market study prepared for us by Michael Gallis & Associates, or MGA, a North Carolina-based strategic planning and design firm, in connection with this offering. The forecasts and projections are based on MGA s experience and data published by the U.S. Department of Education and other sources, and there is no assurance that any of the projections will be accurate. We believe that the study is reliable, but we have not independently verified the information in the study nor have we ascertained any underlying assumptions relied upon therein. While we are not aware of any misstatements regarding the industry data presented herein, estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under the heading Risk Factors.

# PROSPECTUS SUMMARY

*This summary highlights selected information appearing elsewhere in this prospectus. This prospectus includes information regarding our business and detailed financial data, as well as information about the common stock we are offering. You should read this prospectus in its entirety, including Risk Factors and the financial statements and related notes appearing elsewhere in this prospectus, before deciding to purchase our common stock.*

## Our Company

Campus Crest Communities, Inc. is a self-managed, self-administered and vertically-integrated developer, builder, owner and manager of high-quality, purpose-built student housing. Prior to this offering, our business was conducted through Campus Crest Group, which is wholly-owned and controlled by Ted W. Rollins, our co-chairman and chief executive officer, and Michael S. Hartnett, our co-chairman and chief investment officer, and certain members of their families. We intend to elect and qualify to be taxed as a real estate investment trust, or REIT, for U.S. federal income tax purposes commencing with our taxable year ending December 31, 2010.

We believe that we are one of the largest vertically-integrated developers, builders, owners and managers of high-quality, purpose-built student housing properties in the United States based on beds owned and under management. Upon completion of this offering and our formation transactions, we will own interests in 27 student housing properties containing approximately 5,048 apartment units and 13,580 beds. All of our properties are recently built, with an average age of approximately 2.2 years as of August 31, 2010. Twenty-one of our properties will be wholly-owned and six will be owned through a joint venture with HSRE, in which we will own a 49.9% interest. We recently completed construction of three of our joint venture properties, each of which commenced operations in August 2010.

Our 21 wholly-owned properties contain approximately:

- 3,920 apartment units; and
- 10,528 beds.

Our six joint venture properties contain approximately:

- 1,128 apartment units; and
- 3,052 beds.

As of September 15, 2010, our 27 properties had:

- average occupancy of approximately 90%; and
- average monthly rental revenue per occupied bed of approximately $467.

We were formed to continue and expand the student housing business of Campus Crest Group, which has been engaged in this business since 2004. Our properties are located in 11 states, primarily in medium-sized college and university markets, which we define as markets located outside of major U.S. cities that have nearby schools generally with overall enrollment of approximately 8,000 to 20,000 students. We believe such markets are underserved and are generally experiencing enrollment growth. All of our properties have been developed, built and managed by Campus Crest Group, generally based upon a common prototypical building design. We believe that our use of this prototypical building design, which we have built approximately 410 times at our 27 student housing properties (approximately 15 of such residential buildings comprise one student housing property), allows us to efficiently deliver a uniform and proven student housing product in multiple markets. All of our properties operate under *The Grove*®

brand, and we believe that our brand and the associated lifestyle are effective differentiators that create higher visibility and appeal for our properties within their markets.

In addition to our existing properties, we actively seek new development opportunities. We expect that, subject to completion of this offering, we will commence building seven new student housing properties, four of which are expected to be wholly-owned by us and three of which are expected to be owned by a new joint venture with HSRE in which we expect to own a 20% interest. We are currently targeting completion of these seven properties for the 2011-2012 academic year. For each of these projects, we have conducted significant pre-development activities and are in the process of obtaining the necessary zoning and site plan approvals. In total, we have identified over 200 markets and approximately 80 specific sites within these markets as potential future development opportunities, and our current business plan contemplates the development of approximately five to seven new student housing properties per year. No assurance can be given that we will not adjust our business plan as it relates to development, or that any particular development opportunity will be undertaken or completed in accordance with our current expectations.

We are led by our co-founders Ted W. Rollins and Michael S. Hartnett, each of whom has over 25 years of real estate investment and operating experience, including the development, construction and management of over 13,000 student housing beds. They are supported by over 500 full and part time employees who carry out our development, construction, property management and asset management activities.

Our principal executive offices are located at 2100 Rexford Road, Suite 414, Charlotte, NC 28211. Our telephone number is (704) 496-2500. Our website is located at www.gogrove.com. The information on our website is not part of this prospectus. We have included our website address only as an inactive textual reference and do not intend this to be an active link to our website.

**Market Opportunity**

We believe that attractive investment opportunities exist in the student housing market due to various factors impacting the supply, demand and profit potential of this market in the United States. These factors include:

*Significant and Sustainable Growth in College Enrollments.* Based on information from the National Center for Education Statistics and the U.S. Census Bureau, college enrollments are projected to grow at a faster rate than the overall population through 2017. This growth is expected to be driven primarily by: (i) the significant growth of the college-aged population in the U.S. fueled by the Echo Boom generation (*i.e.*, the children of the Baby Boomers); (ii) an increase in the percentage of graduating high school students choosing to enroll in college; and (iii) a trend toward longer college enrollments.

*Outsourcing Pressure Due to Institutional Budgetary Constraints.* We believe that budget shortfalls and funding constraints at colleges and universities have reduced the availability of capital to build new student housing supply commensurate with enrollment increases. Thus, colleges and universities are increasingly relying on private developers to offer on-campus and off-campus student housing options to support enrollment growth.

*Obsolescence of Existing Dormitory-Style Student Housing.* Increasingly, on-campus, dormitory-style student housing facilities are becoming obsolete and are in need of significant renovation or replacement. Traditional dormitory-style housing typically consists of shared rooms, communal bathroom facilities and limited (if any) amenities and parking. We believe that such facilities do not meet the needs and preferences of modern-day college students, who generally have a higher standard of living and an increased focus on privacy, amenities and other lifestyle considerations than previous generations of students.

*Highly Fragmented Ownership with Diminishing Competition and Costs.* The student housing industry is highly fragmented, which provides opportunities for consolidation. Moreover, the recent economic environment has reduced the availability of construction financing, which has restricted the number of new competitors entering the industry and created opportunities for well-capitalized firms specializing in student housing. Meanwhile, as competition has become constrained, excess capacity in the residential and commercial construction markets has lowered material and labor costs for firms able to access capital for new projects.

*Availability of Attractive, Long-Term Financing through Freddie Mac and Fannie Mae.* Despite tightening credit markets, stabilized student housing properties continue generally to have access to long-term debt financing through Federal Home Loan Mortgage Corporation, or Freddie Mac, and Federal National Mortgage Association, or Fannie Mae.

## Our Competitive Strengths

We believe that we distinguish ourselves from other developers, builders, owners and managers of student housing properties through the following competitive strengths:

*Experienced Management Team with Demonstrated Track Record.* Our management team is led by Messrs. Rollins and Hartnett, each of whom has over 25 years of real estate investment, advisory and management experience. Our management team has overseen the financing, development, construction and management of all of our student housing properties with an aggregate cost of approximately $500 million.

*Modern, Well-Located Portfolio.* The average age of our student housing properties is approximately 2.2 years as of August 31, 2010, and all of our properties are located in close proximity to the campuses of the schools from which they draw student-tenants, with an average distance to campus of approximately 0.6 miles.

*Attractive, Branded Properties.* All of our properties operate under *The Grove*® brand, and all of our properties feature private bedrooms with en suite bathrooms, full furnishings, state-of-the-art technology, ample parking, and a broad array of other on-site amenities, such as resort-style swimming pools, basketball and volleyball courts, and community clubhouses with regularly planned social activities. We strive to offer not just an apartment but an entire lifestyle and community experience designed to appeal to the modern-day college student.

*Proven and Scalable Business Model.* We believe that our vertically-integrated business model enables us to deliver properties economically while maintaining consistency in our building design, construction quality and amenity package. We continue to refine our processes and systems in an effort to reduce costs and improve quality, having overseen the construction of the same prototypical residential building approximately 410 times during the last six years.

*Focus on Underserved College Markets.* We generally focus on medium-sized college and university markets. While total enrollments in these markets are generally lower than enrollments in larger educational markets, we believe that the overall market dynamics are often more favorable (*e.g.,* higher enrollment growth rates and fewer purpose-built student housing competitors).

*Conservative Capitalization.* Upon completion of this offering, application of the net proceeds therefrom and our formation transactions, our debt to total market capitalization ratio will be approximately 20.0%, which we believe will provide us with incremental financing capacity to fund identified future growth opportunities. In addition, we have entered into a credit agreement with Citibank, N.A. and certain other parties thereto relating to a three-year, $125 million senior secured revolving credit facility, or our revolving credit facility, which will become effective immediately upon completion of this offering and satisfaction of customary loan closing conditions. This facility may be used for general corporate purposes, payment of distributions and to finance, among other things, identified future growth opportunities, including the seven properties that we expect to commence building upon completion of this offering, four of which are expected to be wholly-owned by us and three of which are expected to be owned by a new joint venture that we expect to establish with HSRE and in which we expect to own a 20% interest. Our ability to borrow under our revolving credit facility will be subject to the terms and conditions of our credit agreement, including those relating to the facility s borrowing base. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Principal Capital Resources.

### Our Business and Growth Strategies

Our objective is to maximize total returns to our stockholders through the pursuit of the following business and growth strategies:

*Utilize Our Vertically-Integrated Platform.* Our vertically-integrated platform performs each key function in the student housing value chain: project development, project construction, property management and asset management. We believe that the ongoing feedback and accountability facilitated by our vertically-integrated platform allow us to improve efficiency, reduce costs, control project timing and enhance the overall quality of our properties.

*Target Attractive Markets.* We utilize a proprietary underwriting model with over 60 inputs to evaluate the relative attractiveness of each potential development market. We generally focus on markets that exceed certain student enrollment thresholds and exhibit favorable student housing supply-demand dynamics. Our due diligence process is designed to identify markets in which we can operate successfully.

*Optimize Our Properties and Brand Value.* We employ a consistent set of operating principles across our properties in order to optimize the student lifestyle experience and enhance the value and recognition of our brand. We believe that our focus on enhancing student lifestyle and promoting a sense of community at our properties drives improved occupancy and allows us to charge premium rents.

*Development Growth.* We believe that our vertically-integrated platform generally allows us to generate more favorable returns by developing new properties versus acquiring existing properties from third parties, and we therefore anticipate that in-house development will remain the primary driver of our growth. Our current business plan contemplates the development of approximately five to seven new student housing properties per year from our identified pipeline of opportunities, including the seven properties that we expect to commence building upon completion of this offering.

*Acquisition Growth.* We may also seek to grow by selectively acquiring student housing properties from third parties. Generally, we anticipate that any properties acquired from third parties would meet our investment criteria for development properties and fit into our overall strategy in terms of property quality, proximity to campus, bed-bath parity, availability of amenities and return on investment.

### Summary Risk Factors

An investment in our common stock involves various risks. You should carefully consider the matters discussed in Risk Factors beginning on page 25 of this prospectus before making a decision to invest in our common stock. Some of the risks include the following:

- Developing properties will expose us to additional risks beyond those associated with owning and operating student housing properties, and could materially and adversely affect us.

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Adverse economic conditions and dislocation in the credit markets have had a material and adverse effect on us and may continue to materially and adversely affect us.

We rely on our relationships with the colleges and universities from which our properties draw student-tenants and the policies and reputations of these schools; any deterioration in our relationships with such schools or changes in the schools admissions or residency policies or reputations could materially and adversely affect us.

Our results of operations are subject to risks inherent in the student housing industry, such as an annual leasing cycle and limited leasing period, which could materially and adversely affect us.

Competition from other student housing properties, including on-campus housing and traditional multi-family housing located in close proximity to the colleges and universities from which we draw student-tenants, may reduce the demand for our properties, which could materially and adversely affect us.

Our success depends on key personnel whose continued service is not guaranteed, and their departure could materially and adversely affect us.

The current economic environment could reduce enrollments and limit the demand for our properties, which could materially and adversely affect us.

In each of the past five fiscal years, we have experienced significant net losses; if this trend continues, we could be materially and adversely affected.

If we are unable to acquire properties on favorable terms, our future growth could be materially and adversely affected.

Our strategy of investing in properties located in medium-sized college and university markets may not be successful, which could materially and adversely affect us.

Our indebtedness exposes us to a risk of default and will reduce our free cash flow, which could materially and adversely affect us.

Joint venture investments could be materially and adversely affected by our lack of sole decision-making authority, our reliance on our co-venturers financial condition and disputes between our co-venturers and us.

Our management team has not previously operated a REIT, and this inexperience could materially and adversely affect us.

Our performance and the value of our properties are subject to risks associated with real estate and with the real estate industry, which could materially and adversely affect us.

Provisions of our charter allow our board of directors to authorize the issuance of additional securities, which may limit the ability of a third party to acquire control of us through a transaction that our stockholders believe to be in their best interest.

Provisions of Maryland law may limit the ability of a third party to acquire control of us, which, in turn, may negatively affect our stockholders ability to realize a premium over the market price of our common stock.

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The ownership limitations in our charter may restrict or prevent you from engaging in certain transfers of our common stock, which may delay or prevent a change in control of us that our stockholders believe to be in their best interest.

We may not be able to make our initial distributions or maintain our initial, or any subsequent, distribution rate.

A public market for our common stock may never develop and your ability to sell your shares of our common stock may be limited.

Common stock eligible for future sale may adversely affect the market price of our common stock.

Future offerings of debt or equity securities ranking senior to our common stock may limit our operating and financial flexibility and may adversely affect the market price of our common stock.

We have not obtained appraisals of our properties in connection with this offering and the price we pay to our existing investors for their interests in our predecessor entities may exceed our properties market value.

Our failure to qualify or remain qualified as a REIT could have a material and adverse effect on us and the market price of our common stock.

To qualify and remain qualified as a REIT, we will likely rely on the availability of equity and debt capital to fund our business.

Complying with REIT requirements may cause us to forgo otherwise attractive investment opportunities, which could materially and adversely affect us.

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**Our Properties**

The following table presents certain summary information about the 21 properties that we will own 100% interests in and the six joint venture properties that we will own 49.9% interests in upon completion of this offering and our formation transactions. All properties were developed and built by us.

| y | State | Year Opened | Primary University Served | Fall 2009 Overall Enrollment | Distance to Campus (miles) | Number of Units | Number of Beds | Occupancy as of September 15, 2010 [1] | Av Mo R Re Oc |
|---|---|---|---|---|---|---|---|---|---|
| **olly-Owned perties** | | | | | | | | | |
| eville | NC | 2005 | University of NC - Asheville | 3,695 | 0.1 | 154 | 448 | 88% | $ |
| rollton | GA | 2006 | University of West Georgia | 11,500 | 0.1 | 168 | 492 | 92% | $ |
| Cruces | NM | 2006 | New Mexico State University | 18,497 | 0.4 | 168 | 492 | 83% | $ |
| edgeville | GA | 2006 | Georgia College & State University | 6,633 | 0.1 | 168 | 492 | 99% | $ |
| lene | TX | 2007 | Abilene Christian University | 4,838 | 0.5 | 192 | 504 | 87% | $ |
| nsburg | WA | 2007 | Central Washington University | 10,187 | 0.5 | 192 | 504 | 96% [2] | $ |
| eley | CO | 2007 | University of Northern Colorado | 12,711 | 1.0 | 192 | 504 | 98% | $ |
| ksonville | AL | 2007 | Jacksonville State University | 9,351 | 0.2 | 192 | 504 | 81% | $ |
| bile Phase I[3] | AL | 2007 | University of South Alabama | 14,522 | On-Campus | 192 | 504 | 100% | $ |
| bile Phase II[3] | AL | 2008 | University of South Alabama | 14,522 | On-Campus | 192 | 504 | 100% | $ |
| ogdoches | TX | 2007 | Stephen F. Austin State University | 12,845 | 0.4 | 196 | 522 | 100% | $ |
| ney | WA | 2008 | Eastern Washington University | 11,302 | 0.5 | 192 | 512 | 71% [2] | $ |
| esboro | AR | 2008 | Arkansas State University | 12,156 | 0.2 | 192 | 504 | 99% | $ |
| bock | TX | 2008 | Texas Tech University | 30,049 | 2.1 | 192 | 504 | 92% | $ |
| phenville | TX | 2008 | Tarleton State University | 8,598 | 0.8 | 192 | 504 | 75% | $ |
| y | AL | 2008 | Troy University | 6,679 | 0.4 | 192 | 514 | 98% | $ |
| co | TX | 2008 | Baylor University | 14,614 | 0.8 | 192 | 504 | 83% | $ |
| hita | KS | 2008 | Wichita State University | 14,823 | 1.1 | 192 | 504 | 75% | $ |
| hita Falls | TX | 2008 | Midwestern State University | 6,341 | 1.2 | 192 | 504 | 67% | $ |
| rfreesboro | TN | 2009 | Middle Tennessee State University | 25,188 | 0.8 | 186 | 504 | 98% | $ |
| Marcos | TX | 2009 | Texas State University | 30,816 | 1.7 | 192 | 504 | 100% | $ |
| **al of Wholly-Owned Properties** | | | | **13,327** [4] | **0.6** [4] | **3,920** | **10,528** | **90%** [5] | **$** |

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| City | State | Year Opened | Primary University Served | Fall 2009 Overall Enrollment | Distance to Campus (miles) | Number of Units | Number of Beds | Occupancy as of September 15, 2010 (1) | Avera Month Renta Reven Per Occupi Bed |
|---|---|---|---|---|---|---|---|---|---|
| **Joint Venture Properties** | | | **49.9% Ownership Interest** | | | | | | |
| Lawrence | KS | 2009 | University of Kansas | 29,242 | 1.6 | 172 | 500 | 76% | $ 457 |
| Moscow (3) | ID | 2009 | University of Idaho | 11,957 | 0.5 | 192 | 504 | 89% | $ 455 |
| San Angelo | TX | 2009 | Angelo State University | 6,387 | 0.3 | 192 | 504 | 84% | $ 469 |
| Conway | AR | 2010 | University of Central Arkansas | 11,781 | 0.4 | 180 | 504 | 93% | $ 441 |
| Huntsville | TX | 2010 | Sam Houston State University | 16,772 | 0.2 | 192 | 504 | 100% | $ 448 |
| Statesboro | GA | 2010 | Georgia Southern University | 19,086 | 0.7 | 200 | 536 | 100% | $ 447 |
| **b Total of Joint Venture Properties** | | | | **15,871 (4)** | **0.6 (4)** | **1,128** | **3,052** | **91% (5)** | **$ 452** |
| **tal Properties** | | | | **13,892 (4)** | **0.6 (4)** | **5,048** | **13,580** | **90% (5)** | **$ 467** |

(1) Represents executed leases in hand for the 2010-2011 academic year.

(2) The 2010-2011 academic year commences on September 22, 2010 at the primary university served by this property; accordingly, pre-academic year leasing is still ongoing at this property.

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

(4) Average.

(5) Weighted average by number of leased beds as of September 15, 2010.

**Expected 2011 Development Properties**

Subject to completion of this offering, we expect to commence building four properties for our own account, with completion targeted for the 2011-2012 academic year. Information with respect to these expected wholly-owned developments is included in the following table:

| ity | State | Targeted Completion | Primary University Served | Fall 2009 Overall Enrollment | Distance to Campus (miles) | Number of Units | Number of Beds | Estimatec Cost(1) ($ in thousands |
|---|---|---|---|---|---|---|---|---|

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| ort Wayne | IN | August 2011 | Indiana University/ Purdue University | 13,675 | 1.1 | 204 | 540 | $ | 19,926 |
| larksville | TN | August 2011 | Austin Peay State University | 10,188 | 1.3 | 208 | 560 | | 21,202 |
| mes | IA | August 2011 | Iowa State University | 27,945 | 0.3 | 216 | 584 | | 21,411 |
| ort Collins | CO | August 2011 | Colorado State University | 25,413 | On-Campus | 224 | 624 | | 25,380 |
| **otal Expected 2011 Consolidated Developments** | | | | **19,305 (2)** | **0.7 (2)** | **852** | **2,308** | **$** | **87,919** |

(1) Actual costs may vary significantly from estimated costs.

(2) Average.

Subject to completion of this offering, we expect to commence building three properties, which are expected to be owned by a new joint venture that we expect to establish with HSRE and in which we expect to own a 20% interest. Although we have entered into a non-binding letter of intent with HSRE relating to this potential joint venture, we have not entered into definitive documentation, and we do not plan to commence construction of these three properties until such time as a definitive agreement is reached with HSRE. We are currently targeting

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completion of these three properties for the 2011-2012 academic year. Information with respect to these expected joint venture developments is included in the following table:

| City | State | Targeted Completion | Primary University Served | Fall 2009 Overall Enrollment | Distance to Campus (miles) | Number of Units | Number of Beds | Estimated Cost[1] ($ in thousands) |
|---|---|---|---|---|---|---|---|---|
| Denton | TX | August 2011 | University of North Texas | 36,123 | 0.8 | 216 | 584 | $ 24,873 |
| Orono | ME | August 2011 | University of Maine | 11,867 | 0.5 | 188 | 620 | 24,278 |
| Valdosta | GA | August 2011 | Valdosta State University | 12,391 | 1.9 | 216 | 584 | 21,150 |
| **Total Expected 2011 Joint Venture Developments** | | | | **20,127 [2]** | **1.1 [2]** | **620** | **1,788** | **$ 70,301** |

(1) Actual costs may vary significantly from estimated costs. Under certain circumstances, we expect that we will be responsible for funding the amount by which actual development costs for a project pursued by the venture exceed the budgeted development costs of such project (without any increase in our interest in the project).

(2) Average.

Development activities involve significant risks and uncertainties, including risks of delays, cost overruns and the potential expenditure of funds on projects that are not ultimately completed. No assurance can be given that these developments will be undertaken as currently expected or, if undertaken, that they will be completed in accordance with our current expectations, including those with respect to targeted completion and estimated cost. Further, if these properties are developed, there can be no assurance that we will be successful in achieving attractive occupancy levels or rental rates. Additionally, our ability to commence construction of these properties will depend upon obtaining property-specific construction financing or financing these developments through other means. For additional information, see Business and Properties Expected 2011 Development Properties.

### Our Financing Strategy

Upon completion of this offering, application of the net proceeds therefrom and our formation transactions, we will have total consolidated indebtedness of approximately $100.4 million (including $39.6 million that we expect to borrow under our revolving credit facility upon completion of this offering). In addition, subject to satisfaction of customary loan closing conditions, we will have a three-year, $125 million senior secured revolving credit facility, which will become effective immediately upon completion of this offering. Amounts outstanding under our revolving credit facility will 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 will depend upon our leverage ratio and will range from 2.75% to 3.50% for Eurodollar Rate based borrowings and from 1.75% to 2.50% for Base Rate based borrowings. Immediately upon completion of this offering, we expect to use approximately $39.6 million borrowed under our revolving credit facility, together with a portion of the net proceeds from this offering, to repay in full our mortgage loan with Silverton Bank that is currently secured by six of our properties. In addition, we expect to use approximately $1.6 million of our revolving credit facility to issue letters of credit relating to indebtedness secured by The Grove at Carrollton, The Grove at Mobile Phase II and The Grove at Las Cruces. We anticipate that a portion of our revolving credit facility will be used, in conjunction with project-specific construction debt, to finance the construction of the four wholly-owned and three joint venture properties that we expect to commence building upon completion of this offering. In addition, we may fund distributions to our stockholders with borrowings under our revolving credit facility. Our ability to borrow from time to time under this facility will be subject to certain conditions and the satisfaction of specified financial covenants. Our revolving credit facility will also contain covenants that will restrict our ability to pay dividends or other amounts to our stockholders unless certain financial tests are satisfied. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Principal Capital Resources.

We generally intend to limit our ratio of debt to total market capitalization to not greater than 50%, although our charter places no limit on the amount of indebtedness that we may incur and we may exceed this level from time to time. We intend to finance our long-term growth with common and preferred equity issuances and debt financing having staggered maturities. Our debt may include mortgage debt secured by our properties, as well as unsecured debt, and such debt may require us to pay fixed or floating rates of interest. We will seek to utilize Freddie Mac and Fannie Mae long-term debt financing for stabilized properties to the extent possible. We may also seek to finance development projects through unconsolidated joint ventures with third parties, such as the three properties that we intend to develop in a new joint venture that we expect to establish with HSRE and in which we expect to own a 20% interest.

**Structure and Formation**

We were formed as a Maryland corporation on March 1, 2010. Our operating partnership was formed as a Delaware limited partnership on March 4, 2010. Through our wholly-owned subsidiary, Campus Crest Communities GP, LLC, we are the sole general partner of our operating partnership, and we will conduct substantially all of our business through our operating partnership. Upon completion of this offering and our formation transactions, we will own a 95.8% limited partnership interest in our operating partnership. MXT Capital, which is wholly-owned and controlled by Ted W. Rollins, our co-chairman and chief executive officer, and Michael S. Hartnett, our co-chairman and chief investment officer, and certain members of their families, will own a 3.3% limited partnership interest in our operating partnership. Mr. Hartnett, in addition to his indirect ownership interest in our operating partnership through his ownership interest in MXT Capital, will own a 0.5% interest in our operating partnership. The Ricker Group, which owned interests in our predecessor entities prior to the consummation of our formation transactions, will in the aggregate own a 0.2% limited partnership interest in our operating partnership. Certain third-party investors, who owned interests in our predecessor entities prior to the consummation of our formation transactions, will in the aggregate own a 0.2% limited partnership interest in our operating partnership.

Certain of our officers, certain members of our management team and our directors will own restricted common stock, representing approximately 0.4% of our common stock outstanding after completion of this offering.

**Formation Transactions**

Prior to our formation transactions, all of the interests in our properties were owned by Campus Crest Group and third-party investors, including the Ricker Group and HSRE. The value of these interests was determined by our executive officers based on a capitalization rate analysis, an internal rate of return analysis, an assessment of the fair market value of the properties and the consideration of other factors, such as per bed value and the liquidation preference with respect to certain interests. We did not obtain third-party appraisals or valuations in connection with the formation transactions.

Immediately upon completion of this offering, we will engage in the following formation transactions, which are designed to:

- consolidate the ownership of our properties and the student housing business of Campus Crest Group into our operating partnership and its wholly-owned subsidiaries;

- complete the repayment of all amounts outstanding under our mortgage loan with Silverton Bank that is currently secured by six of our properties (as described in this prospectus, we will repay, in aggregate, approximately $287.1 million of indebtedness with the (i) net proceeds from this offering and (ii) $39.6 million borrowed under our revolving credit facility);

facilitate this offering; and

enable us to qualify as a REIT for federal income tax purposes commencing with our taxable year ending December 31, 2010.

Set forth below is an overview of our formation transactions:

Pursuant to the terms of a contribution agreement, MXT Capital will contribute to our operating partnership its student housing business and interests in the predecessor entities in exchange for approximately $4.5 million (which will immediately be used to make capital contributions to certain entities, which will in turn immediately use such capital contributions solely to repay indebtedness) and 973,333 OP units, representing a 3.3% limited partnership interest in our operating partnership.

In its contribution agreement, MXT Capital provides us with certain real estate, ownership and operational representations, warranties and covenants with respect to its student housing business and interests in the predecessor entities being contributed to our operating partnership. For a more detailed description of the representations, warranties and covenants being provided by MXT Capital, see Structure and Formation Formation Transactions. MXT Capital will indemnify us with respect to losses resulting from breaches of its representations, warranties and covenants and for any real estate transfer or mortgage recording tax liabilities that we may incur; these indemnification obligations generally are subject to a $250,000 deductible and capped at an amount equal to the aggregate equity consideration received by MXT Capital pursuant to the contribution agreement (other than the tax liability indemnity, which is not subject to either the deductible or the cap) and are generally limited to claims brought within 18 months from the completion of this offering (with certain claims surviving indefinitely).

Campus Crest Group will distribute to MXT Capital its interests in two parcels of land consisting of 20.2 acres, with associated indebtedness of approximately $1.9 million, on which we have decided not to build student housing properties; MXT Capital has agreed not to build student housing properties on these parcels in the future.

Campus Crest Group will distribute to MXT Capital its interest in an entity that will own a minority interest in a 1999 Pilatus PC-12 single-engine turboprop airplane. Upon completion of this offering, we will lease this aircraft on payment terms structured to equal our pro rata carrying and operating costs of the aircraft based on our actual usage.

Pursuant to the terms of a contribution agreement, the Ricker Group will contribute to our operating partnership its interests in the predecessor entities and the entire ownership interest in the entities that own fee interests in certain properties that were subject to ground leases with the Ricker Group prior to the completion of our formation transactions in exchange for approximately $26.7 million and 66,667 OP units, representing a 0.2% limited partnership interest in our operating partnership.

In its contribution agreement, the Ricker Group provides us with certain ownership and limited real estate and operational representations, warranties and covenants. For a more detailed description of the representations, warranties and covenants being provided by the Ricker Group, see Structure and Formation Formation Transactions. The Ricker Group will indemnify us with respect to losses resulting from breaches of its representations, warranties and covenants; these indemnification obligations generally are subject to a $250,000 deductible and capped at an amount equal to the aggregate consideration received by the Ricker Group pursuant to the contribution agreement with respect to certain ownership matters and

$7.5 million with respect to all other matters and are generally limited to claims brought within 18 months from the completion of this offering (with certain claims surviving indefinitely).

Pursuant to the terms of contribution agreements and purchase and sale agreements, certain third-party investors will contribute to our operating partnership all of their interests in the predecessor entities in exchange for approximately $10.7 million and 53,000 OP units, representing a 0.2% limited partnership interest in our operating partnership. Under the terms of these agreements, these third-party investors will also provide us with certain limited representations and warranties with respect to their ownership interests being contributed to our operating partnership, including the authority to enter into the agreement, the absence of claims or litigation involving the contributed interest and the obtaining of any necessary consents to the contribution of the interests. The third-party investors also provide covenants under the agreements, including not to transfer or dispose of any of their contributed interests, and will indemnify us for any losses resulting from breaches of their representations, warranties and covenants.

In exchange for approximately $31.0 million, HSRE will sell to our operating partnership (i) all of its interests in each of The Grove at Milledgeville, The Grove at San Marcos and The Grove at Carrollton, with the result that we will own a 100% interest in each of these properties and (ii) a 49.8% interest in a joint venture that will own 100% of each of The Grove at Conway, The Grove at Huntsville, The Grove at Lawrence, The Grove at Moscow, The Grove at San Angelo and The Grove at Statesboro, with the result that we will own a 49.9% interest in these properties and HSRE will own a 50.1% interest in these properties. In addition, we will make a preferred investment in an aggregate amount of approximately $4.8 million in special-purpose subsidiaries of this joint venture that own The Grove at Moscow and The Grove at San Angelo, for which we will be entitled to a cumulative return of 9% compounded annually.

We will use approximately $39.6 million borrowed under our revolving credit facility, together with a portion of the net proceeds from this offering, to repay in full our mortgage loan with Silverton Bank that is secured by six of our properties. As described in this prospectus, we will repay, in aggregate, approximately $287.1 million of indebtedness with the (i) net proceeds from this offering and (ii) $39.6 million borrowed under our revolving credit facility.

We will purchase the preferred membership interest in our CC-Encore joint venture for $3.9 million and terminate CC-Encore.

The number of OP units and cash amounts to be received by the parties specified above have been fixed and are not subject to change based upon the public offering price of the common stock to be sold in this offering or any other factor.

As a result of our formation transactions:

we will own approximately 95.8% of the outstanding OP units, MXT Capital will own approximately 3.3% of the outstanding OP units, the Ricker Group will own approximately 0.2% of the outstanding OP units and certain third-party investors will own, in the aggregate, approximately 0.2% of the outstanding OP units;

our operating partnership will own 100% interests in 21 of our properties;

our operating partnership will own an indirect 49.9% interest in The Grove at Conway, The Grove at Huntsville, The Grove at Lawrence, The Grove at Moscow, The Grove at San Angelo and The Grove at Statesboro;

our mortgage loan with Silverton Bank will be repaid in full (as described in this prospectus, we will repay, in aggregate, approximately $287.1 million of indebtedness with the (i) net proceeds from this offering and (ii) $39.6 million borrowed under our revolving credit facility); and

we will own each of the entities through which Campus Crest Group conducted its student housing business.

**Consequences of this Offering and Our Formation Transactions**

The following diagram depicts the ownership structure of our company, our operating partnership, certain subsidiaries through which we will conduct our development, construction, property management and asset management activities, and our joint venture with HSRE, upon completion of this offering and our formation transactions:

(1) Includes an aggregate of 114,308 shares of restricted common stock to be granted to our independent directors, certain of our executive officers and certain members of our management team.

(2) Represents a limited partnership interest in our operating partnership.

(3) Represents 150,000 restricted OP units to be granted to Mr. Hartnett pursuant to his employment agreement upon completion of this offering. This award will vest ratably on each of the first, second and third anniversaries of the completion of this offering.

**Benefits to Related Parties**

In connection with this offering and our formation transactions, MXT Capital, the Ricker Group and certain of our executive officers, members of our management team and members of our board of directors will receive material financial and other benefits, as described below. Each of Ted W. Rollins, our co-chairman and chief executive officer, and Michael S. Hartnett, our co-chairman and chief investment officer, will, through his respective ownership of MXT Capital, be entitled to participate in the benefits realized by MXT Capital in connection with our formation transactions. In addition, Carl H. Ricker, Jr. will, through his ownership in the Ricker Group, be entitled to participate in the benefits realized by the Ricker Group in connection with our formation transactions. We have included the Ricker Group as a related party due to the substantial investment that it held in our predecessor entities and the substantial returns paid to it by our predecessor entities. For a more detailed discussion of these benefits, see Management and Certain Relationships and Related Party Transactions.

Our operating partnership will issue to MXT Capital 973,333 OP units in exchange for MXT Capital s contribution to our operating partnership of the interests owned by MXT Capital in the predecessor entities and its student housing business.

MXT Capital will enter into a tax protection agreement with us. Pursuant to the tax protection agreement, we will agree not to sell, exchange or otherwise dispose of nine of our properties for a period of ten years, or the ten-year tax protection period, in a transaction that would cause the members of MXT Capital to realize taxable gain that was built-in, or the built-in gain, to such properties at the time of their contribution to our operating partnership. If we sell one or more of these nine properties during the ten-year tax protection period, we will be required to pay to MXT Capital an amount equal to the federal, state and local taxes imposed on the built-in gain allocated to its members, with the amount of such taxes being computed based on the highest applicable federal, state and local marginal tax rates, as well as any grossed up taxes imposed on such payments. The amount otherwise payable in connection with such a transaction under the tax protection agreement will be reduced by 20% commencing on the fifth anniversary date of the closing date of this offering and an additional 20% on each successive anniversary date until the amount payable is reduced to zero on the tenth anniversary of the closing date. Consequently, our ability to sell or dispose of these nine properties will be substantially restricted by this obligation to make payments to MXT Capital during the ten-year tax protection period if we sell any such property. This requirement will also restrict our ability to arrange financing for our operations as well as our ability to manage our capital structure.

The tax protection agreement will also require us to maintain a minimum level of indebtedness of $56.0 million throughout the ten-year tax protection period in order to allow a sufficient amount of debt to be allocable to MXT Capital to avoid certain adverse tax consequences. If we fail to maintain such minimum indebtedness throughout the ten-year tax protection period, and as a consequence the members of MXT Capital incur federal, state or local tax liabilities, we will be required to make indemnifying payments to them, computed in the manner described in the preceding paragraph.

We will enter into a registration rights agreement with MXT Capital pursuant to which we will agree, among other things, to register the resale of any common stock that may be exchanged for the OP units issued in our formation transactions. This agreement requires us to seek to register all common stock that may be exchanged for OP units effective as of that date which is 12 months following completion of this offering on a shelf registration statement under the Securities Act of 1933, as amended, or the Securities Act.

MXT Capital will receive Campus Crest Group s interests in two parcels of land consisting of 20.2 acres, with associated indebtedness of approximately $1.9 million, on which we have decided not to build student housing properties.

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We will pay the Ricker Group approximately $26.7 million of the net proceeds from this offering and our operating partnership will issue to the Ricker Group 66,667 OP units in exchange for the Ricker Group s contribution to our operating partnership of the interests owned by the Ricker Group in the predecessor entities and in the entities that have entered into ground leases with us relating to eight of our properties. As a result of our acquisition of the entities that previously had entered into ground leases with us relating to eight of our properties, we will have fee simple title to the real estate that is the subject of such leases.

Approximately $6.0 million of the net proceeds from this offering will be used to repay indebtedness owed by us to RHR, LLC, an entity owned by MXT Capital and the Ricker Group; RHR, LLC will, in turn, immediately repay an equal amount of indebtedness owed by it to an unaffiliated third party on substantially the same terms and conditions as the loan from RHR, LLC to us.

Approximately $4.0 million of the net proceeds from this offering will be used to repay our indebtedness to Capital Bank, an entity in which the Ricker Group has an ownership interest and of which Carl H. Ricker, Jr. is a director.

Each of Ted W. Rollins, Michael S. Hartnett and Carl H. Ricker, Jr. will be released from certain personal guarantees with respect to mortgage and construction indebtedness with an aggregate principal amount of approximately $243.3 million in the case of each of Messrs. Rollins and Hartnett and approximately $205.9 million in the case of Mr. Ricker, and from personal guarantees with respect to the RHR, LLC and Capital Bank indebtedness described above, and the MXT Capital indebtedness described below. Each of Messrs. Rollins and Hartnett will be released from certain personal guarantees with respect to the preferred membership interest in CC-Encore.

Indebtedness incurred by two entities through which MXT Capital conducts aspects of its business will be repaid by MXT Capital. MXT Capital will receive $4.5 million of the net proceeds from this offering, which it will immediately use to make capital contributions to these entities. These entities will, in turn, immediately use the capital contributions received from MXT Capital solely to repay indebtedness.

Our executive officers, directors and certain members of our management team will receive material benefits, including:

a grant of 114,308 shares of restricted common stock pursuant to the Campus Crest Communities, Inc. 2010 Incentive Award Plan, or the 2010 Incentive Award Plan (including an aggregate grant of 80,973 shares of restricted common stock to certain of our executive officers and certain members of our management team and an aggregate grant of 33,335 shares of restricted common stock to our independent directors);

an aggregate of 512,361 shares of restricted common stock reserved under the 2010 Incentive Award Plan for issuance (i) one year after the termination of Campus Crest Group s deferred compensation plan, or DCP, in satisfaction of vested interests in awards that were outstanding under the DCP; and (ii) in 2012 and 2013 pursuant to employment agreements to be entered into with our executive officers;

employment agreements providing for salary, bonus and other benefits, including severance upon a termination of employment under certain circumstances, and, in the case of Mr. Hartnett, a grant of 150,000 restricted OP units upon completion of this offering that will vest ratably on each of the first, second and third anniversaries of the

completion of this offering, as described under Management Employment Agreements ;

indemnification by us for certain liabilities and expenses incurred as a result of actions brought, or threatened to be brought, against them as officers; and

upon completion of this offering we have agreed to pay to Donald L. Bobbitt, Jr., an executive vice president and our chief financial officer, Earl C. Howell, our president and chief operating officer, and Howard J. Weissman, a senior vice president and our corporate controller, cash bonuses of $300,000, $200,000 and $150,000, respectively.

Each of our non-employee directors will receive material benefits, including:

annual and per-meeting fees described under Management Director Compensation ; and

indemnification by us for certain liabilities and expenses incurred as a result of actions brought, or threatened to be brought, against him as a director.

**Restrictions on Ownership of Our Capital Stock**

Our charter, subject to certain exceptions and after the application of certain attribution rules, prohibits any person from directly or indirectly owning more than 9.8% by vote or value, whichever is more restrictive, of either our outstanding common stock or our outstanding capital stock in the aggregate, which we refer to in this prospectus collectively as the stock ownership limits. Our charter also prohibits any person from directly or indirectly owning any class of our capital stock if such ownership would result in us being closely held under Section 856(h) of the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code, or otherwise cause us to fail to qualify as a REIT.

Our charter generally provides that any capital stock owned or transferred in violation of the foregoing restrictions will be deemed to be transferred to a charitable trust for the benefit of a charitable beneficiary, and the purported owner or transferee will acquire no rights in such stock. If the foregoing is ineffective for any reason to prevent a violation of these restrictions, then our charter provides that the transfer of such shares will be void.

No person may transfer our capital stock or any interest in our capital stock if the transfer would result in our capital stock being beneficially owned by fewer than 100 persons on or after the first day of our second taxable year. Our charter provides that any attempt to transfer our capital stock in violation of this minimum will be void.

**Lock-up Agreements**

We, each of our executive officers and directors, MXT Capital and Carl H. Ricker, Jr. have agreed with the underwriters not to offer, sell or otherwise dispose of any common stock or any securities convertible into or exercisable or exchangeable for common stock (including OP units) or any rights to acquire common stock for a period of one year after the date of this prospectus, without the prior written consent of Raymond James & Associates, Inc., Citigroup Global Markets Inc., Goldman, Sachs & Co., Barclays Capital Inc. and RBC Capital Markets Corporation, subject to limited exceptions.

**Our Distribution Policy**

We intend to pay regular quarterly distributions to our common stockholders. We intend to pay a pro rata initial distribution with respect to the period commencing on the completion of this offering and ending December 31, 2010, based on $0.16 per share for a full quarter. On an annualized basis, this would be $0.64 per share, or an initial annual distribution rate of approximately 4.7% based on an assumed initial public offering price of $13.50 per share (the mid-point of the price range set forth on the cover page of this prospectus). Our ability to fund this distribution will depend, in part, upon continued successful leasing of our existing portfolio, expected future development activity and fee income from development, construction and management services. To the extent these sources are insufficient, we intend to use our working capital or borrowings under our revolving credit facility to fund these distributions. To the extent we use working capital or borrowings under our revolving credit facility to fund these distributions, our cash available for investment in our business, including for property development and acquisition purposes, will decrease.

In addition, in order to qualify for taxation as a REIT, we must make annual distributions to stockholders of at least 90% of our REIT taxable income. If our cash available for distribution is not sufficient to meet the annual distribution requirements applicable to REITs, we would be required to fund the minimum required distribution from other sources, which could include asset sales (subject to the limitations imposed by the terms of the tax protection agreement) or borrowings. Funding a distribution through asset sales or borrowings could reduce our cash flow from operations, increase our interest expense and decrease our cash available for investment in our business. We may also choose to meet this distribution requirement by distributing a combination of cash and shares of our common stock. Under recent Internal Revenue Service, or IRS, guidance, up to 90% of any such distribution may be made in shares of our common stock. If we choose to make a distribution consisting in part of shares of our common stock, the holders of our common stock may be subject to adverse tax consequences. See Risk Factors Risks Related to this Offering We may not be able to make an initial distribution or maintain any initial, or any subsequent, distribution rate and we may be required to fund the minimum distribution necessary to qualify as a REIT from sources that could reduce our cash flows.

**Our Tax Status**

In connection with this offering, we intend to elect to be treated as a REIT under Sections 856 through 859 of the Internal Revenue Code commencing with our taxable year ending December 31, 2010. Our qualification as a REIT depends upon our ability to meet on a continuing basis, through actual investment and operating results, various complex requirements under the Internal Revenue Code relating to, among other things, the sources of our gross income, the composition and values of our assets, our distribution levels and the diversity of ownership of our stock. We believe that we will be organized in conformity with the requirements for qualification and taxation as a REIT under the Internal Revenue Code and that our intended manner of operation will enable us to meet the requirements for qualification and taxation as a REIT.

As a REIT, we generally will not be subject to U.S. federal income tax on our taxable income that we distribute currently to our stockholders. If we fail to qualify as a REIT in any taxable year and do not qualify for certain statutory relief provisions, we will be subject to U.S. federal income tax at regular corporate rates and generally will be precluded from qualifying as a REIT for the subsequent four taxable years following the year during which we lost our REIT qualification. Accordingly, our failure to qualify as a REIT could materially and adversely affect us, including our ability to make distributions to our stockholders in the future. Even if we qualify as a REIT, we may be subject to some U.S. federal, state and local taxes on our income or property and the income of our taxable REIT subsidiaries, or TRSs, will be subject to taxation at normal corporate rates. See Federal Income Tax Considerations.

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## SUMMARY SELECTED HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

You should read the following summary selected historical and pro forma financial information in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations, the audited historical combined financial statements of our Predecessor (as defined below) and notes thereto, and our unaudited pro forma condensed consolidated financial statements and notes thereto. The summary selected historical and pro forma financial information contained in this section is not intended to replace the audited and unaudited financial statements included elsewhere in this prospectus.

Our Predecessor shall mean certain entities and their consolidated subsidiaries controlled by Campus Crest Group, LLC, and its consolidated subsidiaries, which carried out the development, construction, ownership and management of the properties that we will own interests in upon completion of this offering, including its interests in two joint ventures with HSRE.

The summary selected historical combined statements of operations and cash flows for the six months ended June 30, 2010 and 2009 and the summary selected historical combined balance sheet information as of June 30, 2010 have been derived from the unaudited historical combined financial statements of our Predecessor, included elsewhere in this prospectus. The unaudited historical combined financial statements have been prepared on the same basis as our audited historical combined financial statements and, in the opinion of our management, reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of this information. The results for any interim period are not necessarily indicative of the results that may be expected for a full year. The summary selected historical combined statements of operations and cash flows for the years ended December 31, 2009, 2008 and 2007 and the summary selected historical combined balance sheet information as of December 31, 2009 and 2008 have been derived from the audited historical combined financial statements of our Predecessor, included elsewhere in this prospectus. The summary selected pro forma condensed consolidated statements of operations for the six months ended June 30, 2010 and for the year ended December 31, 2009 and the summary selected pro forma condensed consolidated balance sheet information as of June 30, 2010 have been derived from our unaudited pro forma condensed consolidated financial statements, included elsewhere in this prospectus.

The summary selected pro forma condensed consolidated statements of operations and balance sheet information set forth below has been adjusted to reflect our formation transactions, the sale of the common stock offered hereby, the receipt of the estimated net proceeds from this offering, after deducting the underwriting discount and other estimated offering expenses payable by us, and the use of the estimated net proceeds as described under Use of Proceeds. The unaudited pro forma condensed consolidated financial information for the year ended December 31, 2009 and as of and for the six months ended June 30, 2010 is presented as if this offering, the use of net proceeds therefrom and our formation transactions all had occurred as of the last day of the period presented for the purposes of the unaudited pro forma condensed consolidated balance sheet information and on the first day of the period presented for the purposes of the unaudited pro forma condensed consolidated statements of operations.

The summary selected historical combined and pro forma condensed consolidated financial information set forth below and the financial statements included elsewhere in this prospectus do not necessarily reflect what our results of operations, financial condition or cash flows would have been if we had operated as a stand-alone company during all periods presented, and, accordingly, such information should not be relied upon as an indicator of our future performance, financial condition or liquidity.

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**Statement of Operations Information:**

| | Pro Forma Campus Crest Communities, Inc. | | Historical Campus Crest Communities Predecessor | | | | |
|---|---|---|---|---|---|---|---|
| | Six Months Ended June 30, | Year Ended December 31, | Six Months Ended June 30, | | Year Ended December 31, | | |
| | 2010 (unaudited) | 2009 (unaudited) | 2010 (unaudited) | 2009 (unaudited) | 2009 | 2008 | 2007 |
| | | | | (in thousands) | | | |
| **Revenues**: | | | | | | | |
| Student housing leasing | $ 25,986 | $ 45,021 | $ 24,443 | $ 21,219 | $ 43,708 | $ 30,813 | $ 15,598 |
| Student housing services | 1,486 | 2,289 | 1,426 | 1,011 | 2,265 | 798 | 110 |
| Development, construction and management services | 17,311 | 24,540 | 30,738 | 37,258 | 60,711 | 2,505 | |
| **Total revenues** | 44,783 | 71,850 | 56,607 | 59,488 | 106,684 | 34,116 | 15,708 |
| **Operating expenses**: | | | | | | | |
| Student housing operations | 13,922 | 23,055 | 13,455 | 11,416 | 23,155 | 14,890 | 7,470 |
| Development, construction and management services | 16,140 | 24,847 | 28,644 | 35,693 | 60,200 | 2,147 | |
| General and administrative | 3,500 | 6,572 | 2,618 | 2,454 | 5,617 | 5,422 | 3,467 |
| Ground leases | 94 | 264 | 94 | 96 | 264 | 224 | 40 |
| Write-off of pre-development costs | | 1,211 | | | 1,211 | 203 | |
| Depreciation and amortization | 9,792 | 18,598 | 9,429 | 9,115 | 18,371 | 13,573 | 5,765 |
| **Total operating expenses** | 43,448 | 74,547 | 54,240 | 58,774 | 108,818 | 36,459 | 16,742 |
| Equity in loss of uncombined entities | (1,041) | (506) | (194) | | (59) | | |
| **Operating income (loss)** | 294 | (3,203) | 2,173 | 714 | (2,193) | (2,343) | (1,034) |
| **Nonoperating income (expenses)**: | | | | | | | |
| Interest expense | (2,774) | (5,530) | (10,686) | (7,369) | (15,871) | (14,946) | (6,583) |
| | 279 | 90 | 178 | 2,680 | 797 | (8,758) | (2,115) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Change in fair value of interest rate derivatives | | | | | | | |
| Income taxes | (128) | (73) | | | | | |
| Other income (expense) | 153 | 134 | 45 | (19) | 44 | (50) | 100 |
| **Total nonoperating expenses** | (2,470) | (5,379) | (10,463) | (4,708) | (15,030) | (23,754) | (8,598) |
| **Net loss** | (2,176) | (8,582) | (8,290) | (3,994) | (17,223) | (26,097) | (9,632) |
| Net loss attributable to noncontrolling interest | (91) | (360) | (5,025) | (2,060) | (10,486) | (870) | (2,083) |
| **Net loss attributable to Campus Crest Communities, Inc./Predecessor** | $ (2,085) | $ (8,222) | $ (3,265) | $ (1,934) | $ (6,737) | $ (25,227) | $ (7,549) |

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**Balance Sheet Information:**

| | Pro Forma Campus Crest Communities, Inc. | Historical Campus Crest Communities Predecessor | | |
|---|---|---|---|---|
| | As of June 30, 2010 (unaudited) | As of June 30, 2010 (unaudited) | As of December 31, 2009 | 2008 |
| | | (in thousands) | | |
| **Assets:** | | | | |
| Student housing properties | $ 370,400 | $ 348,466 | $ 347,157 | $ 326,217 |
| Accumulated depreciation | (48,403) | (48,403) | (38,999) | (20,794) |
| Development in process | 7,090 | 3,641 | 3,300 | 15,742 |
| **Investment in real estate, net** | 329,087 | 303,704 | 311,458 | 321,165 |
| Investment in uncombined entity | 21,472 | 3,257 | 2,980 | 776 |
| Other assets | 24,700 | 21,412 | 17,358 | 20,214 |
| **Total assets** | $ 375,259 | $ 328,373 | $ 331,796 | $ 342,155 |
| **Liabilities:** | | | | |
| Mortgage and construction loans | $ 60,840 | $ 329,374 | $ 329,102 | $ 322,426 |
| Lines of credit and other debt | 39,600 | 17,689 | 14,070 | 9,237 |
| Other liabilities | 21,650 | 34,756 | 31,340 | 32,606 |
| **Total liabilities** | 122,090 | 381,819 | 374,512 | 364,269 |
| **Equity:** | | | | |
| Owners equity (deficit) | 310,344 | (54,245) | (50,090) | (42,502) |
| Noncontrolling interest | (57,175) | 799 | 7,374 | 20,388 |
| **Total equity** | 253,169 | (53,446) | (42,716) | (22,114) |
| **Total liabilities and equity** | $ 375,259 | $ 328,373 | $ 331,796 | $ 342,155 |

**Other Data:**

| | Pro Forma Campus Crest Communities, Inc. | |
|---|---|---|
| | Six Months Ended | Year Ended December 31, |

| | June 30, 2010 (unaudited) | 2009 (unaudited) |
|---|---|---|
| **Funds from operations ( FFO[(1)]):** | | |
| Net loss | $ (2,176) | $ (8,582) |
| Real estate related depreciation and amortization | 9,643 | 18,432 |
| Real estate related depreciation and amortization unconsolidated joint ventures | 691 | 355 |
| **FFO** | $ 8,158 | $ 10,205 |

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| | Historical Campus Crest Communities Predecessor | | | | |
|---|---|---|---|---|---|
| | Six Months Ended June 30, | | Year Ended December 31, | | |
| | 2010 | 2009 | 2009 | 2008 | 2007 |
| | (unaudited) | | | | |
| | (in thousands) | | | | |
| **Cash flow information:** | | | | | |
| Net cash provided by (used in) operations | $ 2,739 | $ 2,068 | $ 4,353 | $ 1,264 | $ (1,209) |
| Net cash used in investing | (2,662) | (12,830) | (23,552) | (148,385) | (113,043) |
| Net cash provided by financing | 75 | 5,523 | 11,060 | 144,781 | 126,061 |

**Selected Property Information:**

| | As of June 30, | As of December 31, | | |
|---|---|---|---|---|
| | 2010 | 2009 | 2008 | 2007 |
| Operating Properties | 24 | 24 | 19 | 10 |
| Units | 4,476 | 4,476 | 3,542 | 1,814 |
| Beds | 12,036 | 12,036 | 9,520 | 4,966 |
| Occupancy | 89% | 84% | 78% | 91% |

(1) FFO is used by industry analysts and investors as a supplemental operating performance measure for REITs. We calculate FFO in accordance with the definition that was adopted by the Board of Governors of the National Association of Real Estate Investment Trusts, or NAREIT. FFO, as defined by NAREIT, represents net income (loss) determined in accordance with accounting principles generally accepted in the United States of America, or GAAP, excluding extraordinary items as defined under GAAP and gains or losses from sales of previously depreciated operating real estate assets, plus specified non-cash items, such as real estate asset depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. We use FFO as a supplemental performance measure because, in excluding real estate-related depreciation and amortization and gains and losses from property dispositions, it provides a performance measure that, when compared year over year, captures trends in occupancy rates, rental rates and operating expenses. We also believe that, as a widely recognized measure of the performance of equity REITs, FFO will be used by investors as a basis to compare our operating performance with that of other REITs. However, because FFO excludes depreciation and amortization and captures neither the changes in the value of our properties that result from use or market conditions nor the level of capital expenditures necessary to maintain the operating performance of our properties, all of which have real economic effects and could materially and adversely impact our results from operations, the utility of FFO as a measure of our performance is limited. While FFO is a relevant and widely used measure of operating performance of equity REITs, other equity REITs may use different methodologies for calculating FFO and, accordingly, FFO as disclosed by such other REITs may not be comparable to FFO published herein. Therefore, we believe that in order to facilitate a clear understanding of our historical operating results, FFO should be examined in conjunction with net income (loss) as presented in the combined financial statements and the other financial statements included elsewhere in this prospectus. FFO should not be considered as an alternative to net income (loss) (computed in accordance with GAAP) as an indicator of the properties financial performance or to

cash flow from operating activities (computed in accordance with GAAP) as an indicator of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to pay dividends or make distributions.

## THE OFFERING

| | |
|---|---|
| Common stock offered by us | 28,333,333 shares(1) |
| Common stock to be outstanding after this offering | 28,447,641 shares(1)(2) |
| Common stock and OP units to be outstanding after this offering | 29,690,641 shares/units(1)(2)(3) |
| Use of proceeds | We estimate that the net proceeds from this offering, after deducting the underwriting discount, structuring fee and other estimated fees and expenses payable by us, will be approximately $348.9 million ($402.4 million if the underwriters exercise their overallotment option in full). We will contribute the net proceeds from this offering to our operating partnership, which will use the proceeds and approximately $39.6 of borrowings under our revolving credit facility as follows:<br><br>approximately $287.1 million to reduce outstanding mortgage and construction loan indebtedness and pay associated costs;<br><br>approximately $4.8 million to fund preferred investments in special-purpose subsidiaries of our joint venture with HSRE that own The Grove at Moscow and The Grove at San Angelo;<br><br>approximately $4.0 million to repay unsecured indebtedness to Capital Bank;<br><br>approximately $6.0 million to repay unsecured indebtedness to RHR, LLC; RHR, LLC will, in turn, immediately repay an equal amount of indebtedness owed by it to an unaffiliated third party on substantially the same terms and conditions as the loan from RHR, LLC to us;<br><br>approximately $4.5 million to MXT Capital, which will immediately use such amount to make capital contributions to certain entities that will, in turn, immediately use the capital contributions solely to repay indebtedness;<br><br>approximately $31.0 million to acquire interests in our properties from HSRE and satisfy associated obligations to HSRE;<br><br>approximately $26.7 million to acquire interests in our properties from the Ricker Group;<br><br>approximately $10.7 million to acquire interests in our properties from certain third-party investors; |

approximately $3.4 million to acquire land on which we expect to commence building four properties following the completion of this offering;

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| | |
|---|---|
| | $3.9 million to acquire the preferred membership interest in CC-Encore; and |
| | approximately $6.4 million for working capital and general corporate purposes. |
| Ownership and transfer restrictions | Our charter, subject to certain exceptions, prohibits any person from directly or indirectly owning more than 9.8% by vote or value, whichever is more restrictive, of either our outstanding common stock or our outstanding capital stock in the aggregate. See Description of Capital Stock Restrictions on Ownership and Transfer. |
| Risk factors | Investing in our common stock involves significant risks. You should carefully read and consider the information set forth under Risk Factors and all other information in this prospectus before investing in our common stock. |
| New York Stock Exchange symbol | CCG |

(1) Excludes 4,250,000 shares of common stock issuable upon exercise of the underwriters overallotment option.

(2) Includes an aggregate grant of 80,973 shares of restricted common stock to certain of our executive officers and certain members of our management team and an aggregate grant of 33,335 shares of restricted common stock to our independent directors, each of which is subject to a vesting schedule. Excludes 512,361 shares of common stock reserved under the 2010 Incentive Award Plan for issuance (i) one year after the termination of the DCP in satisfaction of vested interests in awards that were outstanding under the DCP; and (ii) in 2012 and 2013 pursuant to employment agreements to be entered into with our executive officers.

(3) Includes the issuance of an aggregate of 1,093,000 OP units to MXT Capital, the Ricker Group and certain third-party investors in connection with our formation transactions and a grant of 150,000 restricted OP units to Mr. Hartnett pursuant to his employment agreement, which will vest ratably on each of the first, second and third anniversaries of the completion of this offering.

# RISK FACTORS

*Investment in our common stock involves significant risks. You should therefore carefully consider the material risks of an investment in our common stock that are discussed in this section, as well as the other information contained in this prospectus, before making an investment decision. The occurrence of any of the following risks could materially and adversely affect our financial condition, results of operations, cash flow, per share trading price and ability to satisfy our debt service obligations and pay dividends or distributions to you and could cause you to lose all or a significant part of your investment. Some statements in this prospectus, including statements in the following risk factors, constitute forward-looking statements. Please refer to the section entitled Cautionary Note Regarding Forward-Looking Statements.*

## Risks Related to Our Business and Properties

***Developing properties will expose us to additional risks beyond those associated with owning and operating student housing properties, and could materially and adversely affect us.***

Our future growth will depend, in part, upon our ability to successfully complete the seven properties that we expect to commence building upon completion of this offering and to successfully identify and plan additional development opportunities. Our development activities, particularly those relating to the seven properties that we expect to develop with completion targeted for the 2011-2012 academic year, may be adversely affected by:

- abandonment of development opportunities after expending significant cash and other resources to determine feasibility, requiring us to expense costs incurred in connection with the abandoned project;
- construction costs of a project exceeding our original estimates;
- failure to complete development projects on schedule or in conformity with building plans and specifications;
- lower than anticipated occupancy and rental rates at a newly completed property, which rates may not be sufficient to make the property profitable; and
- failure to obtain, or delays in obtaining, necessary zoning, land use, building, occupancy and other required governmental permits and authorizations.

***The construction activities at our student housing properties expose us to liabilities and risks beyond those associated with the ownership and operation of student housing properties.***

The construction of our student housing properties, including the seven properties that we expect to develop with completion targeted for the 2011-2012 academic year, involves risks associated with construction activities, including liability for workplace safety, such as injuries and accidents to persons and property occurring during the construction process. Construction activities also subject us to obligations relating to environmental compliance, such as management of storm water discharge and run-off, material handling, on-site storage of construction materials and off-site disposal of construction materials. These risks are in addition to those associated with owning or operating student housing properties, and the realization of any of these risks could materially and adversely affect us.

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***Our development activities are subject to delays and cost overruns, which could materially and adversely affect us.***

Our development activities, including those related to the seven properties targeted to be completed for the 2011-2012 academic year, may be adversely affected by circumstances beyond our control, including: work stoppages; labor disputes; shortages of qualified trades people, such as carpenters, roofers, electricians and plumbers; changes in laws or other governmental regulations, such as those relating to union organizing activity; lack of adequate utility infrastructure and services; our reliance on local subcontractors, who may not be adequately capitalized or insured; inclement weather; and shortages, delay in availability, or fluctuations in prices of building materials. Any of these circumstances could give rise to delays in the start or completion of, or could increase the cost of, developing one or more of our properties. If we are unable to recover these increased costs by raising our lease rates, our financial performance and liquidity could be materially and adversely affected.

***We may not realize a return on our development activities in a timely manner, which could materially and adversely affect us.***

Due to the amount of time required for planning, constructing and leasing of development properties, we may not realize a significant cash return for several years. Therefore, if any of our development activities are subject to delays or cost overruns, our growth may be hindered and our results of operations and cash flows may be adversely affected. In addition, new development activities, regardless of whether or not they are ultimately successful, typically require substantial time and attention from management. Furthermore, maintaining our development capabilities involves significant expense, including compensation expense for our development personnel and related overhead. To the extent we cease or limit our development activity, this expense will not be offset by revenues from our development activity. Therefore, if we do not realize a return on our development activities in a timely manner in order to offset these costs and expenses, we could be materially and adversely affected.

***Adverse economic conditions and dislocation in the credit markets have had a material and adverse effect on us and may continue to materially and adversely affect us.***

We have recently experienced unprecedented levels of volatility in the capital markets, a reduction in the availability of credit and intense recessionary pressures, which have had an adverse effect on our results of operations and our ability to borrow funds. For example, lenders are generally imposing more stringent lending standards and applying more conservative valuations to properties. This has limited the amount of indebtedness we have been able to obtain, and has impeded our ability to develop new properties and to replace construction financing with permanent financing. If these conditions continue, our business and our growth strategy, including our ability to develop the seven properties that we contemplate completing for the 2011-2012 academic year, may be materially and adversely affected. Although our business strategy contemplates access to debt financing (including our revolving credit facility and construction debt) to finance the construction of the seven properties we expect to commence building upon completion of this offering and to fund future development and working capital requirements, there can be no assurance that we will be able to obtain such financing on favorable terms or at all. Additionally, immediately upon completion of this offering we will borrow approximately $39.6 million under our revolving credit facility and issue letters of credit in an aggregate amount of $1.6 million under such facility. The amounts outstanding under our revolving credit facility immediately upon completion of this offering will reduce the amount that we can borrow under this facility for other purposes. Giving effect to the foregoing uses and our expected borrowing base, we expect to have approximately $61.2 million of borrowing capacity available under our revolving credit facility. Amounts borrowed under our revolving credit facility will be due at the facility s maturity, which is scheduled for the third anniversary of the completion of this offering. This indebtedness, as well as our mortgage and construction loans of approximately $60.8 million,

will subject us to risks associated with debt financing as described below under Our indebtedness exposes us to a risk of default and will reduce our free cash flow, which could materially and adversely affect us.

The challenging economic environment may continue to adversely affect us by, among other things, limiting or eliminating our access to financing, which would adversely affect our ability to develop and refinance properties and pursue acquisition opportunities. Significantly more stringent lending standards and higher interest rates may reduce our returns on investment and increase our interest expense, which could adversely affect our financial performance and liquidity. Additionally, the limited amount of financing currently available may reduce the value of our properties, limit our ability to borrow against such properties and, should we choose to sell a property, impair our ability to dispose of such property at an attractive price or at all, which could materially and adversely affect us.

***Certain of our properties are subject to liens and claims, which could materially and adversely affect us.***

Twelve of our properties are subject to liens or claims for materials or labor relating to disputes with subcontractors or other parties that were involved in the development and construction process. We have recorded a liability of approximately $2.3 million related to these liens and claims as of June 30, 2010. There can be no assurance that we will not be required to pay amounts greater than our currently recorded liability in order to obtain the release of the liens or settle these claims. Further, we may not be able to obtain new financing for these properties until the liens are released.

***Developing properties in new markets may materially and adversely affect us.***

We may develop properties in markets within the United States in which we do not currently operate, including the seven markets in which we currently contemplate developing properties with completion targeted for the 2011-2012 academic year. To the extent we choose to develop properties in new markets, we will not possess the same level of familiarity with development in these markets, as we do in our current markets, which could adversely affect our ability to develop such properties successfully or at all or to achieve expected performance, which could materially and adversely affect us.

***We rely on our relationships with the colleges and universities from which our properties draw student-tenants and the policies and reputations of these schools; any deterioration in our relationships with such schools or changes in the schools admissions or residency policies or reputations could materially and adversely affect us.***

We rely on our relationships with colleges and universities for referrals of prospective student-tenants or for mailing lists of prospective student-tenants and their parents. Many of these schools own and operate on-campus student housing which compete with our properties for student-tenants. The failure to maintain good relationships with these schools could therefore have a material adverse effect on us. If schools refuse to provide us with referrals or to make lists of prospective student-tenants and their parents available to us or increase the cost of these lists, the lack of such referrals, lists or increased cost could have a material adverse effect on us.

Changes in admission and housing policies could adversely affect us. For example, if a school reduces the number of student admissions or requires that a certain class of students (*e.g.*, freshman) live in on-campus housing, the demand for beds at our properties may be reduced and our occupancy rates may decline. While we may engage in marketing efforts to compensate for any such policy changes, we may not be able to effect such marketing efforts prior to the commencement of the annual lease-up period, or our additional marketing efforts may not be successful, which could reduce the demand for our properties and materially and adversely affect us.

It is also important that the schools from which our properties draw student-tenants maintain good reputations and are able to attract the desired number of incoming students. Any degradation in a school s reputation could inhibit its ability to attract students and reduce the demand for our properties.

***Our results of operations are subject to risks inherent in the student housing industry, such as an annual leasing cycle and limited leasing period; which could materially and adversely affect us.***

We generally lease our properties for 11.5-month terms, and the related leases provide for 12 equal monthly payments of rent. Therefore, our properties must be entirely re-leased each year, exposing us to more leasing risk than property lessors that lease their properties for longer terms. Student housing properties are also typically leased during a limited leasing period that generally begins in January and ends in August of each year. We are therefore highly dependent on the effectiveness of our marketing and leasing efforts and personnel during this leasing period. We will be subject to heightened leasing risk at properties under development and at properties we may acquire in the future due to our lack of experience leasing such properties. Any significant difficulty in leasing our properties would adversely affect our results of operations, financial condition and ability to pay distributions on our common stock and would likely have a negative impact on the trading price of our common stock.

Additionally, student-tenants may be more likely to default on their lease obligations during the summer months, which could further reduce our revenues during this period. Although we typically require a student-tenant s lease obligations to be guaranteed by a parent, we may have to spend considerable effort and expense in pursuing payment upon a defaulted lease, and our efforts may not be successful.

***Competition from other student housing properties, including on-campus housing and traditional multi-family housing located in close proximity to the colleges and universities from which we draw student-tenants may reduce the demand for our properties, which could materially and adversely affect us.***

Our properties compete with properties owned by universities, colleges, national and regional student housing businesses and local real estate concerns. On-campus student housing has inherent advantages over off-campus student housing (such as the majority of our properties), due to its physical location on the campus and integration into the academic community, which may cause student-tenants to prefer on-campus housing to off-campus housing. Additionally, colleges and universities may have financial advantages that allow them to provide student housing on more attractive terms than we are able to. For example, colleges and universities can generally avoid real estate taxes and borrow funds at lower interest rates than private, for-profit real estate concerns, such as us.

There are a number of student housing properties that are located near or in the same general vicinity of many of our properties and that compete directly with our properties. Such competing student housing properties may be newer, located closer to campus, charge less rent, possess more attractive amenities, offer more services or offer shorter lease terms or more flexible lease terms than our properties. Competing properties could reduce demand for our properties and materially and adversely affect us.

Revenue at a particular property could also be adversely affected by a number of other factors, including the construction of new on-campus and off-campus housing, decreases in the general levels of rents for housing at competing properties, decreases in the number of students enrolled at one or more of the colleges or universities from which the property draws student-tenants and other general economic conditions.

Although we believe no participant in the student housing industry holds a dominant market share, we will compete with larger national companies, colleges and universities that have greater resources and superior access to capital. Furthermore, we believe that a number of other large national companies with substantial financial and marketing resources may be potential entrants in the student housing business. The activities of any of these companies, colleges or universities could cause an increase in competition for student-tenants and for the acquisition, development and management of other student housing properties, which could reduce the demand for our properties.

***Our success depends on key personnel whose continued service is not guaranteed, and their departure could materially and adversely affect us.***

We are dependent upon the efforts of our key personnel, particularly those of Ted W. Rollins, our co-chairman and chief executive officer, and Michael S. Hartnett, our co-chairman and chief investment officer. These individuals have extensive experience in our business, including sourcing attractive investment opportunities, development activities, financing activities, university relations and leasing. Messrs. Rollins and Hartnett have directed the operations of our predecessor entities and each has over 25 years of experience in providing service-enriched housing and approximately seven years of student housing experience. The loss of the services of either Mr. Rollins or Mr. Hartnett could materially and adversely affect us.

***The current economic environment could reduce enrollments and limit the demand for our properties, which could materially and adversely affect us.***

A continuation of ongoing economic conditions that adversely affect household disposable income, such as high unemployment levels, weak business conditions, reduced access to credit, increasing tax rates and high fuel and energy costs, could reduce overall student leasing or cause student-tenants to shift their leasing practices as students may determine to forego college or live at home and commute to college.

In addition, as a result of general economic weakness, many students may be unable to obtain student loans on favorable terms. If student loans are not available or their costs are prohibitively high, enrollment numbers for schools from which we draw student-tenants may decrease, resulting in a decrease in the demand for, and consequently the occupancy rates at and rental revenue from, our properties. Accordingly, the continuation or deterioration of current economic conditions could materially and adversely affect us.

***In each of the past five fiscal years, we have experienced significant net losses; if this trend continues, we could be materially and adversely affected.***

We have incurred significant net losses in each of the past five fiscal years. These results have had a negative impact on our financial condition. Although we anticipate that upon completion of this offering and our formation transactions we will be adequately capitalized and be able to resume our historical levels of development activity, there can be no assurance that our business will become profitable in the future and additional losses will not be incurred. If this trend continues in the future, our financial performance, liquidity and our ability to operate our business as a going concern could be materially and adversely affected.

***If we are unable to acquire properties on favorable terms, our future growth could be materially and adversely affected.***

Our future growth will depend, in part, upon our ability to acquire new properties on favorable terms. Acquisition opportunities may not be available to us on terms that we deem acceptable, and we may be unsuccessful in consummating acquisition opportunities. Our ability to acquire properties on favorable terms and successfully operate them may be adversely affected by:

- an inability to obtain financing on attractive terms or at all;
- competition from other real estate investors;
- increased purchase prices and decreased expected yields due to competition from other potential acquirers;
- the need to make significant and unexpected capital expenditures to improve or renovate acquired properties;
- an inability to quickly and efficiently integrate acquisitions, particularly any acquisitions of portfolios of properties, into our existing operations;
- market conditions may result in higher than expected vacancy rates and lower than expected rental rates at acquired properties; and
- acquisition of properties subject to liabilities but without any recourse, or with only limited recourse, to the sellers, or with liabilities that are unknown to us, such as liabilities for clean-up of undisclosed environmental contamination, claims by tenants, vendors or other persons dealing with the former owners of our properties.

Our failure to identify and consummate property acquisitions on attractive terms or the failure of any acquired properties to meet our expectations could materially and adversely affect our future growth.

***Our strategy of investing in properties located in medium-sized college and university markets may not be successful, which could materially and adversely affect us.***

Our business strategy involves investing in properties located in medium-sized college and university markets, which are smaller than larger educational markets. Larger educational markets, such as Boston, Massachusetts or Washington, D.C., often have multiple colleges and universities that have larger enrollments than schools located in medium-sized college and university markets and attract students nationally and internationally. The colleges and universities that our properties draw student-tenants from typically have smaller enrollments than schools in larger educational markets and tend to attract students from within the region in which the school is located. If the schools in our markets experience reduced enrollment, for example due to adverse economic conditions, or are unable to attract sufficient students to achieve a desired class size, the pool of prospective student-tenants for our properties will be reduced. This could have the result of reducing our occupancy and lowering the revenue from our properties, which could materially and adversely affect our financial performance and liquidity.

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***Our indebtedness exposes us to a risk of default and will reduce our free cash flow, which could materially and adversely affect us.***

Upon completion of this offering and the application of the net proceeds therefrom, our total consolidated indebtedness will be approximately $100.4 million, but does not include any indebtedness we may incur in connection with any future distributions. We also expect to incur significant additional indebtedness in connection with the development activities that we expect to undertake upon completion of this offering. Our debt service obligations will expose us to the risk of default and reduce cash available to invest in our business or pay distributions that are necessary to qualify and remain qualified as a REIT. Although we intend to limit the sum of the outstanding principal amount of our consolidated indebtedness to not more than 50% of our total market capitalization, our board of directors may modify or eliminate this limitation at any time without the approval of our stockholders. Furthermore, our charter does not contain any limitation on the amount of indebtedness that we may incur. In the future we may incur substantial indebtedness in connection with the development or acquisition of additional properties and for other working capital needs, or to fund the payment of distributions to our stockholders.

In addition, the tax protection agreement will require us to maintain a minimum level of indebtedness of $56.0 million throughout the ten-year tax protection period in order to allow a sufficient amount of debt to be allocable to MXT Capital to avoid certain adverse tax consequences. If we fail to maintain such minimum indebtedness throughout the ten-year tax protection period, and as a consequence the members of MXT Capital incur federal, state or local tax liabilities, we would be required to make indemnifying payments to them, which would inhibit our ability to reduce our indebtedness below the amount required to be maintained. This requirement will also restrict our ability to arrange financing for our operations as well as our ability to manage our capital structure.

Our indebtedness and the limitations imposed on us by our indebtedness could have significant adverse consequences, including the following:

- we may be unable to borrow additional funds as needed or on favorable terms;
- we may be unable to refinance our indebtedness at maturity or the refinancing terms may be less favorable than the terms of the indebtedness being refinanced;
- we may be forced to dispose of one or more of our properties, possibly on disadvantageous terms;
- we may default on our payment or other obligations as a result of insufficient cash flow or otherwise, which may result in a cross-default on our other obligations, and the lenders or mortgagees may foreclose on our properties that secure their loans and receive an assignment of rents and leases;
- to the extent that we incur unhedged floating rate debt, we will have exposure to interest rate risk; and
- foreclosures could create taxable income without accompanying cash proceeds, a circumstance which could hinder our ability to meet the distribution requirements necessary to enable us to qualify and remain qualified for taxation as a REIT.

Compliance with the provisions of our debt agreements, including the financial and other covenants, such as the maintenance of specified financial ratios, could limit our flexibility, and a default under these agreements could result in a requirement that we repay indebtedness, which could severely affect our liquidity and increase our financing costs, which could materially and adversely affect us. We are currently not in compliance with certain covenants under the loan documentation relating to various lending arrangements to which we are party. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Consents or Waivers Under our Loan Documents. We have obtained waivers for these covenant violations and intend to repay a substantial portion of our outstanding indebtedness with a portion of the net proceeds from this offering; upon completion of this offering and the application of the net proceeds therefrom, we expect to be in compliance with all applicable debt covenants. However, if we do not complete this offering, we would need to access alternative capital resources to meet our cash requirements, and there is no assurance that we would be successful in doing so. An inability to refinance maturing indebtedness or obtain alternative financing would have a material adverse affect on our business and financial condition.

***Our secured credit facility will restrict our ability to engage in some business activities.***

We anticipate that our revolving credit facility will contain customary negative covenants and other financial and operating covenants that, among other things will:

- restrict our ability to incur certain additional indebtedness;
- restrict our ability to make certain investments;
- restrict our ability to effect certain mergers;
- restrict our ability to make distributions to stockholders; and
- require us to maintain certain financial coverage ratios.

These limitations will restrict our ability to engage in some business activities, which could adversely affect our financial condition, results of operations, cash flow and the per share trading price of our common stock. In addition, failure to comply with any of these covenants, including the financial coverage ratios, could cause an event of default under and/or accelerate some or all of our indebtedness, which would have a material adverse effect on us. Furthermore, our secured credit facility will contain certain cross-default provisions with respect to specified other indebtedness, giving the lenders the right to declare a default if we are in default under other loans in some circumstances.

***Joint venture investments could be materially and adversely affected by our lack of sole decision-making authority, our reliance on our co-venturers financial condition and disputes between our co-venturers and us.***

Our properties located in Lawrence, Kansas, Moscow, Idaho, San Angelo and Huntsville, Texas, Conway, Arkansas and Statesboro, Georgia, comprising approximately 22.5% of our beds, will be held in a joint venture with HSRE, in which we will own a 49.9% interest upon completion of this offering. Additionally, we anticipate that we will enter into a new joint venture with HSRE, in which we will own a 20% interest and through which we expect to develop three properties with completion targeted for the 2011-2012 academic year. We anticipate that we may enter into other joint ventures with other parties in the future. We may not have a controlling interest in a joint venture and may share responsibility with our co-venturer for managing the property held by the joint venture. Under such circumstances, we may not have sole decision-making authority regarding the joint venture s property. Investments in joint ventures, under certain circumstances, involve risks not present when we invest in a property without the involvement of a third party. For example, our co-venturer may have economic or other business

interests or goals which are inconsistent with our business interests or goals, and may be in a position to take actions contrary to our preferences, policies or objectives. Additionally, it is possible that our co-venturer might become bankrupt, fail to fund its share of required capital contributions or block or delay decisions that we believe are necessary. Such investments may also have the potential risk of impasses on decisions, such as sales, because neither we nor our co-venturers may have full control over the joint venture. Disputes between us and our co-venturer may result in litigation or arbitration that would increase our expenses and divert the attention of our officers and directors from other aspects of our business. Consequently, actions by or disputes with our co-venturers might result in subjecting properties owned by the joint venture vehicle to additional risk. In addition, we may in certain circumstances be liable for the actions of our third-party co-venturers. Any of foregoing factors could materially and adversely affect our joint-venture investments.

***No assurance can be given that we will be successful in establishing a new joint venture with HSRE or that any projects pursued by such a venture will be successful.***

Although we have entered into a non-binding letter of intent with HSRE relating to a potential new joint venture in which we expect to own a 20% interest, no assurance can be given that we will reach a definitive agreement with HSRE regarding this joint venture or that the terms of any such agreement will not be materially different from those currently contemplated by the letter of intent. We expect to develop three new student housing properties through this joint venture with completion targeted for the 2011-2012 academic year; however, no assurance can be given that we will be successful in developing any of these three or other student housing properties developed through this joint venture. No assurance can be given that these developments will be undertaken as currently expected or, if undertaken, that they will be completed in accordance with our current expectations, including those with respect to targeted completion and estimated cost. In addition, under certain circumstances, we expect that we will be responsible for funding the amount by which actual development costs for a project pursued by the venture exceed the budgeted development costs of such project (without any increase in our interest in the project), which could materially and adversely affect the fee income realized from any such project. Finally, there can be no assurance that any properties developed through this joint venture will be successful in achieving attractive occupancy levels or rental rates.

***Our management team has not previously operated either a REIT or a public company, and this inexperience could materially and adversely affect us.***

Our management team has not operated a business that has sought to qualify for taxation as a REIT or in compliance with the numerous technical restrictions and limitations set forth in the Internal Revenue Code applicable to REITs. Managing a portfolio of assets under the REIT requirements of the Internal Revenue Code may limit the types of investments we are able to make or the activities that we may undertake. Furthermore, our management team has not previously operated a public company. The various regulatory requirements applicable to public companies will involve a significant investment of management time, since these requirements were not previously applicable to us as a closely held private company. Both federal laws and regulations and the New York Stock Exchange, or NYSE, rules impose numerous requirements relating to a public company s corporate governance and disclosure obligations. We may be required to spend additional time addressing governance and disclosure obligations due to our inexperience, and we will be subject to fines and other penalties if we fail to comply in a timely manner with these obligations. Additionally, we may need to replace or supplement our existing management or staff in order to maintain operations as a public company, which may increase our costs of operations or delay implementation of our business strategies. We may not be able to operate a REIT or a public company as successfully or as efficiently as a more experienced management team.

***Our investment in properties subject to ground leases with unaffiliated third parties exposes us to the potential loss of such properties upon the expiration or termination of the ground leases, and the realization of such loss could materially and adversely affect us. Our properties at the University of South Alabama are also subject to a right of first refusal that may inhibit our ability to sell them.***

Our properties located on the campus of the University of South Alabama are subject to ground leases with affiliates of the university. We have another property located in Moscow, Idaho which is also subject to a ground lease with an unaffiliated third party. In addition, we may invest in additional properties that are subject to ground leases with unaffiliated third parties. As the lessee under a ground lease with an unaffiliated third party, we are exposed to the possibility of losing our leasehold interest in the land on which our buildings are located. A ground lease may not be renewed upon the expiration of its current term or terminated by the lessor pursuant to the terms of the lease if we do not meet our obligations thereunder.

In the event of an uncured default under any of our existing ground leases, the lessor may terminate our leasehold interest in the land on which our buildings are located. Any termination of our existing ground leases with unaffiliated third parties, unless in conjunction with the exercise of a purchase option, would also result in termination of our management agreement relating to the property. If we lose the leasehold interest in any of our properties, we could be materially and adversely affected.

Our properties located at the University of South Alabama are also subject to a right of first refusal pursuant to which the ground lessor entity related to the university has a right to purchase our leasehold interest in the relevant property in the event we decide to accept an offer to sell either property to a third party. This may inhibit our ability to sell these properties. Further, our right to transfer one of the on-campus properties is subject to the consent of the ground lessor, which consent may not be unreasonably withheld.

***We may face risks associated with purchasing undeveloped land, and the occurrence of any of these risks could materially and adversely affect us.***

We typically do not hold land for future development. We do, however, enter into purchase and sale agreements for undeveloped land from time to time in anticipation of obtaining construction financing and commencing development activities. A delay in obtaining construction financing may result in a delay in closing the acquisition of undeveloped land pursuant to a purchase and sale agreement. This may require us to pay to the seller of the land additional money in the form of an earnest money deposit, which may not be refundable or applicable against the purchase price.

It is possible that we will purchase property for development based on an erroneous estimate of the demand for student housing in the relevant market. This could result in us paying a purchase price for a property that ultimately proves to be in excess of such property s value. As a result, we may acquire land for development at a cost that we may not be able to recover fully or on which we cannot build and develop a profitable student housing property. Real estate markets are highly uncertain and the value of such undeveloped land may fluctuate as a result of changing market conditions. Carrying costs can be significant and can result in losses or reduced margins. As a result, we may incur impairments on any land we acquire.

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***We may incur losses on interest rate swap and hedging arrangements, which could materially and adversely affect us.***

We may in the future enter into agreements to reduce the risks associated with increases in interest rates. Although these agreements may partially protect against rising interest rates, they also may reduce the benefits to us if interest rates decline. If an arrangement is not indexed to the same rate as the indebtedness that is hedged, we may be exposed to losses to the extent the rate governing the indebtedness and the rate governing the hedging arrangement change independently of each other. Finally, nonperformance by the other party to the arrangement may subject us to increased credit risks. The occurrence of any of the foregoing could materially and adversely affect us.

***Our inability to pass-through increases in taxes or other real estate costs to our student-tenants could materially and adversely affect our financial performance and liquidity.***

We generally are not able to pass through to our student-tenants under existing leases increases in taxes, including real estate and income taxes, or other real estate related costs, such as insurance or maintenance. Consequently, unless we are able to off-set any such increases with sufficient revenues, our financial performance and liquidity may be materially and adversely affected by any such increases.

***The prior performance of our predecessor entities may not be indicative of our future performance.***

All of our properties have been acquired or developed by our predecessor entities within the past six years and have limited operating histories. Consequently, the historical operating results of our properties and the financial data set forth in this prospectus may not be indicative of our future performance. The operating performance of the properties may decline and we could be materially and adversely affected.

***As a result of operating as a public company, we will incur significant increased costs and our management will be required to devote substantial time to new compliance requirements, which could materially and adversely affect us.***

We have never operated as a public company. As a public company, we will incur significant legal, accounting and other expenses, as well as expend significant management time, relating to various requirements applicable to public companies that were not applicable to our Predecessor as a closely held private company. The Securities Exchange Act of 1934, as amended, or the Exchange Act, the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, and the NYSE rules impose numerous requirements relating to a public company s corporate governance and disclosure obligations. Compliance with these requirements will require us to hire additional employees, adopt new policies, procedures and controls, and cause us to incur significant costs. For example, we will be required to have specified board committees, adopt internal controls over financial reporting and disclosure controls and procedures, and file annual, quarterly and other reports and information with the Securities and Exchange Commission, or the SEC. If our prior history of incurring significant net losses continues following this offering, we will be unable to expend the funds necessary to hire additional employees and otherwise comply with our increased disclosure and reporting obligations. Our lack of prior experience in the operation of a public company may reduce the likelihood that we will be able to identify compliance and disclosure issues on a timely basis and our failure to address these issues could materially and adversely affect us due to fines and penalties associated with compliance failure, an inability to utilize certain SEC forms and offering methods to access the public equity and debt markets quickly and the inability to otherwise enjoy the benefits associated with our status as a public company. If we identify any issues in complying with requirements applicable to public companies, we would likely incur additional costs remediating those issues and such costs could be significant, and the existence of those issues could materially and adversely affect us, our reputation or investor perception of us. Failure to remediate compliance issues, whether due to cost or otherwise, may result in negative action against us, including fines, civil and criminal penalties or delisting from the NYSE. Identification of these types of compliance issues could also make it more difficult and expensive for us to obtain director and officer liability insurance, and we could be required to accept reduced policy limits and insurance coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it could become more difficult for us to attract and retain qualified persons to serve on our board of directors or as executive officers. Any of the foregoing costs or factors could materially and adversely affect us.

***We will be subject to the requirements of Section 302 and 404 of the Sarbanes-Oxley Act, which will be costly and challenging.***

Our management will be required to deliver a report that assesses the effectiveness of our internal control over financial reporting, pursuant to Section 302 of the Sarbanes-Oxley Act, as of December 31 subsequent to the year in which the registration statement of which this prospectus forms a part becomes effective. Internal controls are intended to allow management or employees in the normal course of performing their functions to prevent or detect misstatements on a timely basis. A deficiency in internal controls exists when their design or operation does not permit such prevention or detection on a timely basis. Section 404 of the Sarbanes-Oxley Act requires our independent registered public accounting firm to deliver an attestation report on the operating effectiveness of our internal controls over financial reporting in conjunction with their opinion on our audited financial statements as of the same date.

Substantial work on our part is required to implement appropriate processes, document the system of internal control over key processes, assess their design, remediate any deficiencies identified and test their operation. This process is expected to be both costly and challenging. Our Predecessor had not previously prepared consolidated financial statements. Additionally, the financial statements of some of the entities that are included in our Predecessor s financial statements were not individually audited. Consequently, it was necessary to consolidate numerous financial statements, some of which were unaudited, in anticipation of the audit of our Predecessor s financial statements. In the course of such audit, it became necessary to prepare and record a number of adjustments to correct the initial combined financial statements. It was determined that these adjustments arose from weaknesses within our internal control over financial reporting, specifically our lack of policies, procedures and review controls with respect to consolidation and the financial reporting process and our lack of processes and procedures with respect to the application of GAAP to certain transactions.

As a closely held private company, our Predecessor has not been required to operate in compliance with the foregoing requirements of the Sarbanes-Oxley Act. We will be required to design, implement and effectively execute and monitor additional controls in order to comply with these requirements and remediate any identified deficiencies. We have implemented measures to address weaknesses in our internal control over financial reporting and intend to bring our operations into compliance with Section 404 of the Sarbanes-Oxley Act within one year following the completion of this offering as required, and comply with the other mandates of the Sarbanes-Oxley Act, but there can be no assurance that such compliance will be achieved or maintained. If we are unable to implement and monitor effective controls, we may be unable to comply with the requirements of Section 404 of the Sarbanes-Oxley Act within the required time period.

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We cannot give any assurances that we will successfully remediate any material weaknesses identified in connection with our compliance with the provisions of Sections 302 and 404 of the Sarbanes-Oxley Act. The existence of any material weakness would preclude a conclusion by management and our registered independent public accounting firm that we maintained effective internal control over financial reporting. Our management may be required to devote significant time and incur significant expense to remediate any material weaknesses that may be discovered and may not be able to remediate any material weaknesses in a timely manner. The existence of a material weakness in our internal control over financial reporting could also result in errors in our financial statements that could require us to restate our financial statements, cause us to fail to meet our reporting obligations and cause stockholders to lose confidence in our reported financial information, any of which could materially and adversely affect us.

***Reporting of on-campus crime statistics required of colleges and universities may negatively impact our properties.***

Federal and state laws require colleges and universities to publish and distribute reports of on-campus crime statistics, which may result in negative publicity and media coverage associated with crimes occurring in the vicinity of, or on the premises of, our on-campus properties. Reports of crime or other negative publicity regarding the safety of the students residing on, or near, our properties may have an adverse effect on both our on-campus and off-campus properties.

***We may be subject to liabilities from litigation which could materially and adversely affect us.***

We may become involved in legal proceedings, including consumer, employment, tort or commercial litigation that, if decided adversely to or settled by us and not adequately covered by insurance, could result in liabilities that could materially and adversely affect us.

## Risks Related to the Real Estate Industry

***Our performance and the value of our properties are subject to risks associated with real estate and with the real estate industry, which could materially and adversely affect us.***

Our ability to make distributions to our stockholders depends on our ability to generate cash revenues in excess of our expenses, including expenses associated with our development activities, indebtedness and capital expenditure requirements. The occurrence of certain events and conditions that are generally applicable to owners and operators of real estate, many of which are beyond our control, could materially and adversely affect us. These events and conditions include:

- adverse national, regional and local economic conditions;
- rising interest rates;
- oversupply of student housing in our markets, increased competition for student-tenants or reduction in demand for student housing;
- inability to collect rent from student-tenants;
- vacancies at our properties or an inability to lease our properties on favorable terms;
- inability to finance property development and acquisitions on favorable terms;
- increased operating costs, including insurance premiums, utilities and real estate taxes;

the need for capital expenditures at our properties;

costs of complying with changes in governmental regulations;

the relative illiquidity of real estate investments; and

civil unrest, acts of God, including earthquakes, floods, hurricanes and other natural disasters, which may result in uninsured losses, and acts of war or terrorism.

In addition, periods of economic slowdown or recession, such as the one the global economy is currently experiencing, rising interest rates or declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in occupancy rates and rental revenue or an increased incidence of defaults under our existing leases, which could impair the value of our properties or reduce our cash flow.

***Illiquidity of real estate investments could significantly impede our ability to sell our properties or otherwise respond to adverse changes in the performance of our properties, which could materially and adversely affect us.***

From time to time, we may determine that it is in our best interest to sell one or more of our properties. However, because real estate investments are relatively illiquid, we may encounter difficulty in finding a buyer in a timely manner should we desire to sell one of our properties, especially if market conditions are poor at such time. Selling real estate has been difficult recently, since the availability of credit has become more limited, as lending standards have become more stringent. As a result, potential buyers have experienced difficulty in obtaining financing necessary to purchase a property. In addition, our properties are specifically designed for use as student housing, which could limit their marketability or affect their values for alternative uses. Consequently, should we desire to sell one or more of our properties, our ability to do so promptly or on terms that we deem to be acceptable may be limited, which could materially and adversely affect us.

We also may be required to expend funds to correct defects or to make improvements before a property can be sold. We cannot assure you that we will have funds available to correct any such defects or to make any such improvements. In connection with any future property acquisitions, we may agree to provisions that materially restrict our ability to sell the property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be secured by or repaid with respect to such property.

In addition, in order to qualify for taxation as a REIT and to maintain such qualification, the Internal Revenue Code limits our ability to sell properties held for less than two years, which may cause us to incur losses thereby reducing our cash flows. These factors and any others that would impede our ability to respond to adverse changes in the performance of any of our properties or a need for liquidity could materially and adversely affect us.

Finally, MXT Capital will enter into a tax protection agreement with us that will significantly restrict our ability to sell nine of our properties. Pursuant to the tax protection agreement, we will agree not to sell, exchange or otherwise dispose of any of these nine properties for a ten-year tax protection period in a transaction that would cause the members of MXT Capital to realize built-in gain related to such properties at the time of their contribution to our operating partnership. If we sell one or more of these nine properties during the ten-year tax protection period, we will be required to pay to MXT Capital an amount equal to the federal, state and local taxes imposed on the built-in gain allocated to its members, with the amount of such taxes being computed based on the highest applicable federal, state and local marginal tax rates, as well as any grossed up taxes imposed on such payments. The amount otherwise payable in connection with such a

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transaction under the tax protection agreement will be reduced by 20% commencing on the fifth anniversary date of the closing date of this offering and an additional 20% on each successive anniversary date until the amount payable is reduced to zero on the tenth anniversary of the closing date. This requirement will also restrict our ability to arrange financing for our operations as well as our ability to manage our capital structure.

***Increases in property taxes would increase our operating costs, which could materially and adversely affect our financial performance and liquidity.***

Each of our properties will be subject to real and personal property taxes. These taxes may increase as tax rates change and as the properties are assessed or reassessed by taxing authorities. If property taxes increase, our operating costs will increase, and therefore our financial performance and liquidity could be materially and adversely affected.

***We could incur significant costs related to government regulation and private litigation over environmental matters, which could materially and adversely affect us.***

Under various environmental laws, including the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, a current or previous owner or operator of real estate may be liable for contamination resulting from the release or threatened release of hazardous or toxic substances or petroleum at that property. Additionally, an entity that arranges for the disposal or treatment of a hazardous or toxic substance or petroleum at another property may be held jointly and severally liable for the cost of investigating and cleaning up such property or other affected property. Such parties are known as potentially responsible parties, or PRPs. These environmental laws often impose liability regardless of whether the PRP knew of, or was responsible for, the presence of the contaminants, and the costs of any required investigation or cleanup of these substances can be substantial. PRPs may also be liable to parties who have claims for contribution in connection with any such contamination, such as other PRPs or state and federal governmental agencies. The liability is generally not limited under such laws and therefore could easily exceed the property s value and the assets of the liable party.

The presence of contamination, hazardous materials or environmental issues, or the failure to remediate such conditions, at a property may expose us to third-party liability for personal injury or property damage, remediation costs or adversely affect our ability to sell, lease or develop the property or to borrow using the property as collateral, which could materially and adversely affect us.

Environmental laws also impose ongoing compliance requirements on owners and operators of real estate. Environmental laws potentially affecting us address a wide variety of matters, including, but not limited to, asbestos-containing building materials, or ACBMs, storage tanks, storm water and wastewater discharges, lead-based paint, radon, wetlands and hazardous wastes. Failure to comply with these laws could result in fines and penalties or expose us to third-party liability, which could materially and adversely affect us. Some of our properties may have conditions that are subject to these requirements and we could be liable for such fines or penalties or liable to third parties, as described below in Business and Properties Regulation Environmental Matters.

***The conditions at some of our properties may expose us to liability and remediation costs related to environmental matters, which could materially and adversely affect us.***

Certain of our properties may contain, or may have contained, ACBMs. Environmental laws require that ACBMs be properly managed and maintained, and may impose fines and penalties on building owners and operators for failure to comply with these requirements. Also, some of our properties may contain, or may have contained, or are adjacent to or near other properties that may

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contain or may have contained storage tanks for the storage of petroleum products or other hazardous or toxic substances. Any of these conditions create the potential for the release of these contaminants. Third parties may be permitted by law to seek recovery from owners or operators for personal injury or property damage arising from such tanks. Additionally, third parties may be permitted by law to seek recovery from owners or operators for personal injury or property damage associated with exposure to these or other contaminants that may be present on, at or under the properties. Furthermore, some of our properties include regulated wetlands on undeveloped portions of such properties and mitigated wetlands on or near our properties, the existence of which can delay or impede development or require costs to be incurred to mitigate the impact of any disturbance. Absent appropriate permits, we can be held responsible for restoring wetlands and be required to pay fines and penalties, which could materially and adversely affect us.

Over the past several years there have been an increasing number of lawsuits against owners and operators of properties alleging personal injury and property damage caused by the presence of mold in real estate. Mold growth can occur when excessive moisture accumulates in buildings or on building materials, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Concern about indoor exposure to mold has been increasing as some molds have been shown to produce airborne toxins and irritants and exposure to these and other types of molds may lead to adverse health effects and symptoms, including allergic or other reactions. Some of our properties may contain microbial matter such as mold and mildew. The presence of significant mold at any of our properties could require us to undertake a costly remediation program to contain or remove the mold from the affected property and could expose us to liability from student-tenants, employees and others if property damage or health concerns arise, which could materially and adversely affect us.

If any of our properties are not properly connected to a water or sewer system, or if the integrity of such systems are breached, microbial matter or other contamination can develop. If this were to occur, we could incur significant remedial costs and we could also be subject to private damage claims and awards, which could be material. If we become subject to claims in this regard, it could materially and adversely affect us and our insurability for such matters in the future.

Independent environmental consultants have conducted Phase I environmental site assessments on all of our properties. These Phase I environmental site assessments are intended to evaluate information regarding the environmental condition of the surveyed property and surrounding properties based generally on visual observations, interviews and the review of publicly available information. These assessments do not typically take into account all environmental issues including, but not limited to, testing of soil or groundwater, a comprehensive asbestos survey or an invasive inspection for the presence of lead-based paint, radon or mold contamination. As a result, these assessments may have failed to reveal all environmental conditions, liabilities, or other compliance issues affecting our properties. Material environmental conditions, liabilities, or compliance issues may have arisen after the assessments were conducted or may arise in the future.

In addition, future laws, ordinances or regulations may impose material additional environmental liabilities. We cannot assure you that the cost of future environmental compliance or remedial measures will not affect our ability to make distributions to our stockholders or that such costs or other remedial measures will not be material to us.

In the event we decided to sell one of our properties, the presence of hazardous substances on such property may limit our ability to sell it on favorable terms or at all, and we may incur substantial remediation costs.

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The discovery of material environmental liabilities at one or more of our properties could subject us to unanticipated significant costs, which could materially and adversely affect us.

***We may incur significant costs complying with the Americans with Disabilities Act, the Fair Housing Act and similar laws, which could materially and adversely affect us.***

Under the Americans with Disabilities Act of 1990, or the ADA, all public accommodations must meet various federal requirements related to access and use by disabled persons. Compliance with the ADA s requirements may require modifications to our properties, such as the removal of access barriers or restrict our ability to renovate or develop our properties in the manner we desire. In addition, in June 2008, the Department of Justice proposed a substantial number of changes to the accessibility guidelines under the ADA. In January of 2009, President Obama suspended final publication and implementation of these regulations, pending comprehensive review by his administration. If implemented as proposed, the new guidelines could cause some of our properties to incur costly measures to become fully compliant.

Additional federal, state and local laws may also require us to make similar modifications or impose similar restrictions on us. For example, the Fair Housing Act, or FHA, requires apartment properties first occupied after March 13, 1990 to be accessible to the handicapped.

We have not conducted an audit or investigation of all of our properties to determine our compliance with present requirements of the ADA, FHA or any similar laws. Noncompliance with any of these laws could result in us incurring significant costs to make substantial modifications to our properties or in the imposition of fines or an award or damages to private litigants. We cannot predict the ultimate amount of the cost of compliance with the ADA, FHA or other legislation. If we incur substantial costs to comply with the ADA, FHA or any other legislation, we could be materially and adversely affected.

***We may incur significant costs complying with other regulatory requirements, which could materially and adversely affect us.***

Our properties are subject to various federal, state and local regulatory requirements, such as state and local fire and life safety requirements. If we fail to comply with these various requirements, we might incur governmental fines or private damage awards. Furthermore, existing requirements could change and require us to make significant unanticipated expenditures, which could materially and adversely affect us.

***Uninsured losses or losses in excess of insured limits could materially and adversely affect us.***

We carry comprehensive liability, fire, extended coverage, terrorism and rental loss insurance covering all of our properties. Our insurance includes coverage for earthquake damage to properties located in seismically active areas, windstorm damage to properties exposed to hurricanes, and terrorism insurance on all of our properties. In each case, we believe the coverage limits and applicable deductibles are commercially reasonable. All insurance policies are subject to coverage extensions that are typical for our business. We do not carry insurance for generally uninsured losses such as loss from riots or acts of God.

In the event we experience a loss which is uninsured or which exceeds our policy limits, we could lose the capital invested in the damaged property as well as the anticipated future cash flows from such property. In addition, we might nevertheless remain obligated for any mortgage debt or other financial obligations related to the property. Inflation, changes in building codes and ordinances, environmental considerations and other factors might also keep us from using insurance proceeds to replace or renovate a property after it has been damaged or destroyed.

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Under such circumstances, the insurance proceeds we receive might be inadequate to restore our economic position with respect to the damaged or destroyed property. Furthermore, in the event of a substantial loss at one or more of our properties that is covered by one or more policies, the remaining insurance under these policies, if any, could be insufficient to adequately insure our other properties. In such event, securing additional insurance policies, if possible, could be significantly more expensive than our current policies. Any loss of these types may materially and adversely affect us.

***Future terrorist attacks in the U.S. or an increase in incidents of violence on college campuses could reduce the demand for, and the value of, our properties, which could materially and adversely affect us.***

Future terrorist attacks in the U.S., such as the attacks that occurred in New York and Washington, D.C. on September 11, 2001, and acts of war, or threats of the same, could reduce the demand for, and the value of, our properties. Any such event in any of the markets in which our properties are located would make it difficult for us to maintain the affected property s occupancy or to re-lease the property at rates equal to or above historical rates, which could materially and adversely affect us.

Incidents of violence on college campuses could pose similar problems, with respect to the potential for a reduction of demand for our properties if such an incident were to occur on a college campus in one of our markets. Such an event in any of our markets could not only adversely affect our occupancy rates, but would also likely lead to increased operating expenses for such properties due to increased security costs, which would likely be necessary to reassure our student-tenants in the wake of such an incident. Any such increase in operating expenses may have a material adverse effect on the results of operations of the affected property.

In addition, terrorist attacks or violent incidents could directly impact the value of our properties through damage, destruction or loss and the availability of insurance for such acts may be limited or prohibitively expensive. If we receive casualty proceeds, we may not be able to reinvest such proceeds profitably or at all, and we may be forced to recognize taxable gain on the affected property, which could materially and adversely affect us.

**Risks Related to Our Company and Structure**

***Provisions of our charter allow our board of directors to authorize the issuance of additional securities, which may limit the ability of a third party to acquire control of us through a transaction that our stockholders believe to be in their best interest.***

Upon completion of this offering, our charter will authorize our board of directors to issue up to 90,000,000 shares of common stock and up to 10,000,000 shares of preferred stock. In addition, our board of directors may, without stockholder approval, amend our charter to increase the aggregate number of our shares or the number of shares of any class or series that we have the authority to issue and to classify or reclassify any unissued common stock or preferred stock and to set the preferences, rights and other terms of the classified or reclassified stock. As a result, our board of directors may authorize the issuance of additional stock or establish a series of common or preferred stock that may have the effect of delaying, deferring or preventing a change in control of us, including through a transaction at a premium over the market price of our common stock, even if our stockholders believe that a change in control through such a transaction is in their best interest.

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***Provisions of Maryland law may limit the ability of a third party to acquire control of us, which, in turn, may negatively affect our stockholders ability to realize a premium over the market price of our common stock.***

Certain provisions of the Maryland General Corporation Law, or the MGCL, may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change in control under circumstances that otherwise could provide our stockholders with the opportunity to realize a premium over the market price of our common stock, including:

*The Maryland Business Combination Act* that, subject to limitations, prohibits certain business combinations between us and an interested stockholder (defined generally as any person who beneficially owns 10% or more of the voting power of our voting capital stock) or an affiliate of any interested stockholder for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter imposes special appraisal rights and special stockholder voting requirements on these combinations; and

*The Maryland Control Share Acquisition Act* that provides that our control shares (defined as shares which, when aggregated with other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a control share acquisition (defined as the direct or indirect acquisition of ownership or control of control shares ) have no voting rights except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

By resolution of our board of directors, we have opted out of the business combination provisions of the MGCL and provided that any business combination between us and any other person is exempt from the business combination provisions of the MGCL, provided that the business combination is first approved by our board of directors (including a majority of directors who are not affiliates or associates of such persons). Pursuant to a provision in our bylaws, we have opted out of the control share provisions of the MGCL. However, our board of directors may by resolution elect to opt in to the business combination provisions of the MGCL and we may, by amendment to our bylaws, opt in to the control share provisions of the MGCL in the future.

Additionally, Title 3, Subtitle 8 of the MGCL permits our board of directors, without stockholder approval and regardless of what is currently provided in our charter or bylaws, to implement certain takeover defenses, such as a classified board, some of which we do not yet have. These provisions may have the effect of inhibiting a third party from making an acquisition proposal for us or of delaying, deferring or preventing a change in control of us that otherwise could provide our stockholders with the opportunity to realize a premium over the market price of our common stock.

***The ownership limitations in our charter may restrict or prevent you from engaging in certain transfers of our common stock, which may delay or prevent a change in control of us that our stockholders believe to be in their best interest.***

In order for us to qualify as a REIT for each taxable year after 2010, no more than 50% in value of the outstanding shares of our common stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the federal income tax laws to include various kinds of entities) during the last half of any taxable year. Attribution rules in the Internal Revenue Code determine if any individual or entity actually or constructively owns our common stock under this requirement. Additionally, at least 100 persons must beneficially own shares of our common stock during at least 335 days of a taxable year for each taxable year after 2010. To assist us in qualifying as a REIT, our charter contains a stock ownership limit which provides that, subject to certain exceptions, no person or entity may beneficially own, or be deemed to own by virtue of the applicable constructive ownership provisions of the Internal Revenue Code, more than 9.8% by vote or value, whichever is more restrictive, of either our outstanding common stock or our outstanding capital stock in the aggregate. Generally, any of our shares of common stock owned by affiliated owners will be added together for purposes of the stock ownership limit.

If anyone transfers shares of our stock in a way that would violate the stock ownership limit or prevent us from qualifying as a REIT under the federal income tax laws, those shares instead will be transferred to a trust for the benefit of a charitable beneficiary and will be either redeemed by us or sold to a person whose ownership of the shares will not violate the stock ownership limit or we will consider the transfer to be null and void from the outset, and the intended transferee of those shares will be deemed never to have owned the shares. Anyone who acquires shares of our common stock in violation of the stock ownership limit or the other restrictions on transfer in our charter bears the risk of suffering a financial loss when the shares are redeemed or sold if their market price falls between the date of purchase and the date of redemption or sale.

The constructive ownership rules under the Internal Revenue Code are complex and may cause stock owned actually or constructively by a group of related individuals or entities to be owned constructively by one individual or entity. As a result, the acquisition of less than 9.8% of our stock (or the acquisition of an interest in an entity that owns, actually or constructively, our stock) by an individual or entity, could, nevertheless cause that individual or entity, or another individual or entity, to own constructively in excess of 9.8% of our outstanding stock and therefore they would be subject to the stock ownership limit. Our charter, however, allows exceptions to be made to this limitation if our board of directors determines that such exceptions will not jeopardize our tax status as a REIT.

In addition, the stock ownership limit and the other restrictions on transfer in our charter may have the effect of delaying, deferring or preventing a third party from acquiring control of us, whether such a transaction involved a premium price for our common stock or otherwise was in the best interest of our stockholders.

***Our rights and the rights of our stockholders to take action against our directors and officers are limited, which could limit the recourse available in the event actions are taken that are not in the best interest of our stockholders.***

Maryland law provides that a director has no liability in connection with the director s management of the business and affairs of a corporation if he or she performs his or her duties in good faith, in a manner he or she reasonably believes to be in the best interests of the corporation and with the care that an ordinarily prudent person in a like position would use under similar circumstances. In addition, our charter exculpates our directors and officers from liability to us and our stockholders for money damages except for liability resulting from actual receipt of an improper benefit in money, property or services or active and deliberate dishonesty established by a final judgment and which is material to the cause of action. Our charter authorizes us to indemnify our directors and officers for actions taken by them in those capacities to the maximum extent permitted by Maryland law. Our bylaws require us to indemnify each director or officer, to the maximum extent permitted by Maryland law, in the defense of any proceeding to which he or she is made, or threatened to be made, a party by reason of his or her service to us. In addition, we may be obligated to fund the defense costs incurred by our directors and officers. As a result, we and our stockholders may have more limited rights against our directors and officers, which could limit the recourse available in the event actions are taken that are not in our stockholders best interest.

***Our charter contains provisions that make removal of our directors difficult, which could make it difficult for our stockholders to effect changes to our management that our stockholders believe to be in their best interest.***

Our charter provides that a director may be removed only for cause (as defined in our charter) and then only by the affirmative vote of at least two-thirds of the votes entitled to be cast generally in the election of directors. Our charter also provides that vacancies on our board of directors may be filled only by a majority of the remaining directors in office, even if less than a quorum. These requirements prevent stockholders from removing directors except for cause and with a substantial affirmative vote and from replacing directors with their own nominees. As a result, a change in our management that our stockholders believe is in their best interest may be delayed, deferred or prevented.

***Our board of directors has approved very broad investment guidelines for us and will not review or approve each investment decision made by our management team.***

Our management team is authorized to follow broad investment guidelines and, therefore, has great latitude in determining which are the proper investments for us, as well as the individual investment decisions. Our management team may make investments with lower rates of return than those anticipated under current market conditions and/or may make investments with greater risks to achieve those anticipated returns.

***The ability of our board of directors to change some of our policies without the consent of our stockholders may lead to the adoption of policies that are not in the best interest of our stockholders.***

Our major policies, including our policies with respect to investments, leverage, financing, growth, debt and capitalization, will be determined by our board of directors or those committees or officers to whom our board of directors may delegate such authority. Our board of directors will also establish the amount of any dividends or distributions that we may pay to our stockholders. Our board of directors or the committees or officers to which such decisions may be delegated will have the ability to amend or revise these and our other policies at any time without stockholder vote. Accordingly, our stockholders may not have control over changes in our policies, and we may adopt policies that may not prove to be in the best interests of our stockholders.

***As a result of our formation transactions, which were not negotiated on an arm s length basis, our existing investors will receive substantial economic benefits from this offering.***

MXT Capital will receive 973,333 OP units for the contribution of its interests in the predecessor entities and its student housing business and $4.5 million of the net proceeds from this offering, which will be used for the repayment of certain indebtedness. Ted W. Rollins, our co-chairman and chief executive officer, and Michael S. Hartnett, our co-chairman and chief investment officer, by virtue of their indirect ownership in MXT Capital, and therefore the various entities that own interests in the predecessor entities, will be entitled to receive a significant portion of the benefits of this offering received by MXT Capital. MXT Capital, through Campus Crest Group, and the Ricker Group were the principal prior owners of our predecessor entities and MXT Capital played a significant role in structuring our formation. In the course of structuring our formation, MXT Capital had the ability to influence the type and level of benefits that it and our executive officers would receive from us. It also had the ability to influence the other terms of our formation transactions, including, without limitation, the representations and warranties that it made to us in our formation transactions and the indemnities that it provided to us for breaches of such representations and warranties. In addition, as a result of this offering and the application of the net proceeds therefrom,

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Mr. Rollins and Mr. Hartnett will each be released from certain personal guarantees with respect to mortgage and construction indebtedness with, in each case, an aggregate principal amount of approximately $243.3 million, and from personal guarantees with respect to the RHR, LLC and Capital Bank indebtedness described below, and the MXT Capital indebtedness described above. Each of Messrs. Rollins and Hartnett will be released from certain personal guarantees with respect to the preferred membership interest in CC-Encore. MXT Capital will also receive Campus Crest Group s interests in two parcels of land consisting of 20.2 acres, with associated indebtedness of approximately $1.9 million, on which we have decided not to build student housing properties. In addition, we will enter into a registration rights agreement with MXT Capital pursuant to which we will agree, among other things, to register the resale of any common stock that may be exchanged for the OP units issued in our formation transactions.

The Ricker Group will receive approximately $26.7 million from the net proceeds from this offering and 66,667 OP units for the contribution of its interests in the predecessor entities and its interest in the entities that own fee interests in certain properties that were subject to ground leases such that our operating partnership will have, following the completion of this offering and our formation transactions, fee simple title to the real estate that is the subject of the leases. Following this transfer, none of the predecessor entities other than Campus Crest at Mobile, LLC and Campus Crest at Mobile Phase II, LLC (which own The Grove at Mobile in Mobile, AL) and Campus Crest at Moscow, LLC (which owns The Grove at Moscow in Moscow, ID) shall be subject to any ground lease with an unaffiliated third party. In addition, as a result of this offering and the use of the net proceeds therefrom, Mr. Ricker will be released from certain personal guarantees with respect to mortgage and construction indebtedness in an aggregate amount of approximately $205.9 million, and from personal guarantees with respect to the RHR, LLC and Capital Bank indebtedness described below, and the MXT Capital indebtedness described above.

Certain third-party investors will receive in aggregate approximately $10.7 million from the net proceeds from this offering and approximately 53,000 OP units for the contribution of their interests in the predecessor entities.

We will use approximately $4.0 million of the net proceeds from this offering to repay our indebtedness to Capital Bank, an entity in which the Ricker Group has an ownership interest and of which Carl H. Ricker, Jr. is a director.

We will use approximately $6.0 million of the net proceeds from this offering to repay indebtedness owed by us to RHR, LLC, an entity owned by MXT Capital and the Ricker Group. RHR, LLC will, in turn, immediately repay an equal amount of indebtedness owed by it to an unaffiliated third party on substantially the same terms and conditions as the loan from RHR, LLC to us.

Since we did not conduct arm s length negotiations with our existing investors with respect to the terms of our formation transactions, the terms of the agreements we reached with these investors may not be as favorable to us as if they were so negotiated.

***Members of our management and board of directors will be holders of OP units, and their interests may differ from those of our stockholders.***

After the consummation of this offering, members of our management and board of directors will also be direct or indirect holders of OP units. As holders of OP units, they may have conflicting interests with our stockholders. For example, they may have different tax positions from our stockholders, which could influence their decisions regarding whether and when to dispose of assets, whether and when to incur new indebtedness or refinance existing indebtedness and how to structure future transactions. As a result, our management and board of directors may implement policies or make decisions that are not in the best interest of our stockholders.

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***Members of our management will be beneficiaries of a tax protection agreement that will significantly restrict our ability to sell nine of our properties and may require us to maintain indebtedness that we otherwise would not.***

MXT Capital will enter into a tax protection agreement with us. Pursuant to the tax protection agreement, we will agree not to sell, exchange or otherwise dispose of nine of our properties during a ten-year tax protection period in a transaction that would cause the members of MXT Capital to realize built-in gain. If we sell one or more of these nine properties during the ten-year tax protection period, we will be required to pay to MXT Capital an amount equal to the federal, state and local taxes imposed on the built-in gain allocated to its members, with the amount of such taxes being computed based on the highest applicable federal, state and local marginal tax rates, as well as any grossed up taxes imposed on such payments. The amount otherwise payable in connection with such a transaction under the tax protection agreement will be reduced by 20% commencing on the fifth anniversary date of the closing date of this offering and an additional 20% on each successive anniversary date until the amount payable is reduced to zero on the tenth anniversary of the closing date. Consequently, our ability to sell or dispose of these nine properties will be substantially restricted by this obligation to make payments to MXT Capital during the ten-year tax protection period if we sell any such property. This requirement will also restrict our ability to arrange financing for our operations as well as our ability to manage our capital structure.

The tax protection agreement will also require us to maintain a minimum level of indebtedness of $56.0 million throughout the ten-year tax protection period in order to allow a sufficient amount of debt to be allocable to MXT Capital to avoid certain adverse tax consequences. If we fail to maintain such minimum indebtedness throughout the ten-year tax protection period, and as a consequence the members of MXT Capital incur federal, state or local tax liabilities, we will be required to make indemnifying payments to them, computed in the manner described in the preceding paragraph.

***We will enter into employment agreements with certain of our executive officers that will require us to make payments in the event such officer s employment is terminated by us without cause or by such officer for good reason. This may make it difficult for us to effect changes to our management or limit the ability of a third party to acquire control of us that would otherwise be in the best interest of our stockholders.***

The employment agreements that we will enter into with certain of our executive officers upon completion of this offering provide benefits under certain circumstances that could make it more difficult for us to terminate these officers. Therefore, even if we sought to replace these officers, it may not be economically viable for us to do so. Furthermore, because an acquiring company would likely seek to replace these officers with their own personnel, these employment agreements could have the effect of delaying, deterring or preventing a change in control of us that would otherwise be in the best interest of our stockholders.

***After the consummation of this offering and our formation transactions, our primary assets will be our general partner interest in our operating partnership and OP units and, as a result, we will depend on distributions from our operating partnership to pay dividends and expenses.***

After the consummation of this offering and our formation transactions, we will be a holding company and will have no material assets other than our general partner interest and OP units. We intend to cause our operating partnership to make distributions to its limited partners, including us, in an amount sufficient to allow us to qualify as a REIT for federal income tax purposes and to pay all our expenses. To the extent we need funds and our operating partnership is restricted from making distributions under applicable law, agreement or otherwise, or if our operating partnership is otherwise unable to provide such funds, the failure to make such distributions could adversely affect our liquidity and financial condition and our ability to make distributions to our stockholders.

***We operate through a partnership structure, which could materially and adversely affect us.***

Our primary property-owning vehicle is our operating partnership, of which we are the sole general partner. Our acquisition of properties through our operating partnership in exchange, in part, for OP units may permit certain tax deferral advantages to the sellers of those properties. Since the properties contributed to our operating partnership may have unrealized gain attributable to the difference between the fair market value and adjusted tax basis in such properties prior to contribution, the sale of such properties could cause material and adverse tax consequences to the limited partners who contributed such properties. Although we, as the sole general partner of our operating partnership, generally have no obligation to consider the tax consequences of our actions to any limited partner, we have agreed to indemnify MXT Capital for certain tax consequences related to our properties and there can be no assurance that our operating partnership will not acquire properties in the future subject to material restrictions designed to minimize the adverse tax consequences to the limited partners who contribute such properties. Such restrictions could result in significantly reduced flexibility to manage our properties, which could materially and adversely affect us.

***We have fiduciary duties as sole general partner of our operating partnership which may result in conflicts of interest in representing your interests as our stockholders.***

After the consummation of this offering, conflicts of interest could arise in the future as a result of the relationship between us, on the one hand, and our operating partnership or any partner thereof, on the other. We, as the sole general partner of our operating partnership, will have fiduciary duties to the other limited partners in our operating partnership under Delaware law. At the same time, our directors and officers have duties to us and our stockholders under applicable Maryland law in connection with their management of us. Our duties as the sole general partner of our operating partnership may come in conflict with the duties of our directors and officers to us and our stockholders. For example, those persons holding OP units will have the right to vote on certain amendments to the partnership agreement (which require approval by a majority in interest of the limited partners, including us) and individually to approve certain amendments that would adversely affect their rights. These voting rights may be exercised in a manner that conflicts with the interests of our stockholders. We are unable to modify the rights of limited partners to receive distributions as set forth in the partnership agreement in a manner that adversely affects their rights without their consent, even though such modification might be in the best interest of our stockholders. Our partnership agreement will provide that if there is a conflict between the interests of our stockholders, on one hand, and the interests of the limited partners, on the other, we will endeavor in good faith to resolve the conflict in a manner not adverse to either our stockholders or the limited partners; provided, however, that for so long as we own a controlling interest in our operating partnership, we have agreed to resolve any conflict that cannot be resolved in a manner not adverse to either our stockholders or the limited partners in favor of our stockholders.

***Changes in accounting rules, assumptions and/or judgments could materially and adversely affect us.***

Accounting rules and interpretations for certain aspects of our operations are highly complex and involve significant assumptions and judgment. These complexities could lead to a delay in the preparation and public dissemination of our financial statements. Furthermore, changes in accounting rules and interpretations or in our accounting assumptions and/or judgments, such as asset impairments, could significantly impact our financial statements. Under any of these circumstances, we could be materially and adversely affected.

## Risks Related to this Offering

***We may not be able to make an initial distribution or maintain any initial, or any subsequent, distribution rate, and we may be required to fund the minimum distribution necessary to qualify for taxation as a REIT from sources that could reduce our cash flows.***

We intend to pay regular quarterly distributions to our common stockholders and intend to pay a pro rata initial distribution with respect to the period commencing on the completion of this offering and ending December 31, 2010. Our ability to fund this distribution will depend, in part, upon continued successful leasing of our existing portfolio, expected future development activity and fee income from development, construction and management services. To the extent these sources are insufficient, we intend to use our working capital or borrowings under our revolving credit facility to fund these distributions. If we need to fund future distributions with borrowings under our revolving credit facility or from working capital, or if we reduce our distribution rate, our stock price may be adversely affected. In addition, to the extent that we fund any distributions with borrowings under our revolving credit facility or from working capital, our cash available for investment in our business, including for property development and acquisition purposes, will decrease.

In addition, in order to qualify for taxation as a REIT, among other requirements, we must make distributions to stockholders aggregating annually 90% of our REIT taxable income, excluding net capital gains. To the extent that, in respect of any calendar year, cash available for distribution to our stockholders is less than our REIT taxable income, we would be required to fund the minimum distribution necessary to qualify for taxation as a REIT from other sources, which could include asset sales (subject to the limitations imposed by the terms of the tax protection agreement) or borrowings. Funding a distribution through asset sales or borrowings could reduce our cash flow from operations, increase our interest expense and decrease our cash available for investment in our business. We may also choose to meet this distribution requirement by distributing a combination of cash and shares of our common stock. Under recent IRS guidance, up to 90% of any such distribution may be made in shares of our common stock. If we choose to make a distribution consisting in part of shares of our common stock, the holders of our common stock may be subject to adverse tax consequences. See Federal Income Tax Risk Factors We may in the future choose to pay dividends in our own stock, in which case you may be required to pay income taxes in excess of the cash dividends you receive below.

Any distributions in excess of our current and accumulated earnings and profits will not be taxable to a holder to the extent that they do not exceed the adjusted basis of the holder s shares in respect of which the distributions were made, but rather, will reduce the adjusted basis of these shares. To the extent that such distributions exceed the adjusted basis of a stockholder s shares, they will generally be included in income as capital gains. For a more complete discussion of the tax treatment of distributions to our stockholders, see Federal Income Tax Considerations.

***A public market for our common stock may never develop and your ability to sell your shares of our common stock may be limited.***

Prior to this offering, there has been no public market for our common stock. Our common stock has been approved for listing on the NYSE under the symbol CCG, subject to official notice of issuance. However, an active trading market for our common stock may never develop or, even if one does develop, may not be sustained. In the absence of an active trading market, an investor may be unable to liquidate an investment in shares of our common stock at a favorable

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price or at all. The initial public offering price has been determined by us and the underwriters. We cannot assure you that the price at which the common stock will sell in the public market after the closing of this offering will not be lower than the price at which they are sold by the underwriters.

***Common stock eligible for future sale may adversely affect the market price of our common stock.***

We cannot predict the effect, if any, of future issuances of shares of our common stock or the availability of shares of our common stock for future sale on the market price of our common stock. Any sales of a substantial number of shares of our common stock in the public market (including shares issued to our directors and officers), or the perception that such sales might occur, may cause the market price of our common stock to decline.

We, each of our directors and executive officers, MXT Capital and Carl H. Ricker, Jr. have agreed, with limited exceptions, that we and they will not, without the prior written consent of Raymond James & Associates, Inc., Citigroup Global Markets Inc., Goldman, Sachs & Co., Barclays Capital Inc. and RBC Capital Markets Corporation, for a period of one year after the date of this prospectus (subject to extension under certain circumstances), among other things, directly or indirectly, offer to sell, sell or otherwise dispose of any shares of our common stock or securities that are convertible into or exchangeable for shares of common stock or file a registration statement with the SEC relating to the offering of any shares of our common stock or such convertible or exchangeable securities. In addition, we have agreed with the underwriters that we will not, during the same period of time, issue any shares of our common stock in exchange for any OP units. However, the underwriters named above may, at any time, release all or any portion of the shares of common stock subject to the foregoing lock-up provisions. If these restrictions are waived, the affected shares of common stock may be available for sale into the market which could reduce the market price of our common stock.

Under our 2010 Incentive Award Plan, we have the ability to issue options, stock appreciation rights, or SARs, restricted stock and restricted stock units, performance shares, performance units, dividend equivalents, restricted OP units and other stock-based awards to our executive officers, employees and non-employee directors. In connection with this offering, we intend to file a registration statement on Form S-8 to register all shares of common stock reserved for issuance under our 2010 Incentive Award Plan, and once we register these shares, they can be freely sold in the public market after issuance, subject to the terms of the plan and the lock-up provisions discussed above.
MXT Capital will enter into a registration rights agreement with us. Pursuant to that agreement, we will agree, among other things, to register the resale of any common stock that may be exchanged for the OP units issued in our formation transactions. This agreement requires us to seek to register all common stock that may be exchanged for OP units effective as of that date which is 12 months following completion of this offering on a shelf registration statement under the Securities Act. We also may issue from time to time common stock or cause our operating partnership to issue OP units in connection with the acquisition of properties and we may grant demand or piggyback registration rights in connection with these issuances. Registration of the sales of these shares of our common stock would facilitate their sale into the public market. Sales of substantial amounts of our common stock, or the perception that such sales could occur, may have the effect of reducing the market price of our common stock and impeding our ability to raise future capital. In addition, any future sales of shares of our common stock may dilute the value of our common stock.

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***The market price of our common stock may be volatile due to numerous circumstances, some of which are beyond our control.***

Even if an active trading market develops for our common stock, the market price of our common stock may be highly volatile and subject to wide fluctuations. Our financial performance, government regulatory action, tax laws, interest rates and market conditions in general could have a significant impact on the market price of our common stock. Some of the factors that could negatively affect the market price or result in fluctuations in the market price of our common stock include:

- actual or anticipated variations in our quarterly operating results;
- changes in our financial performance or earnings estimates;
- increases in market interest rates;
- changes in market valuations of similar companies;
- adverse market reaction to any indebtedness we incur in the future;
- additions or departures of key personnel;
- actions by our stockholders;
- speculation in the press or investment community;
- general market, economic and political conditions, including the recent economic slowdown and dislocation in the global credit markets;
- our issuance of additional shares of common stock or other securities;
- the performance of other similar companies;
- changes in accounting principles;
- passage of legislation or other regulatory developments that adversely affect us or our industry; and
- the potential impact of the recent economic slowdown on the student housing industry and related budgets of colleges and universities.

***Market interest rates may adversely affect the market price of our common stock.***

One of the factors that investors may consider in deciding whether to buy or sell our common stock will be the dividend yield on our common stock as a percentage of our stock price, relative to market interest rates. An increase in market interest rates may lead prospective purchasers of our common stock to expect a higher dividend yield in order to maintain their investment, and higher interest rates would likely increase our borrowing costs which would reduce our cash flow, cash available to service our indebtedness or invest in our business and adversely affect our ability to make distributions to our stockholders. As a result, higher market interest rates could adversely affect the market price of our common stock.

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***Future offerings of debt or equity securities ranking senior to our common stock may limit our operating and financial flexibility and may adversely affect the market price of our common stock.***

If we decide to issue debt or equity securities in the future ranking senior to our common stock or otherwise incur indebtedness, it is possible that these securities or indebtedness will be governed by an indenture or other instrument containing covenants restricting our operating flexibility and limiting our ability to make distributions to our stockholders. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges, including with respect to distributions, more favorable than those of our common stock and may result in dilution to owners of our common stock. Because our decision to issue debt or equity securities in any future offering or otherwise incur indebtedness will depend on then current market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings or financings, any of which could adversely affect the market price, and dilute the value of, our common stock.

***We have not obtained appraisals of our properties in connection with this offering. As a result, the price we pay to our existing investors for their interests in our predecessor entities, including the interests we intend to purchase from MXT Capital, which was not negotiated in an arm s length transaction, may exceed our properties market value.***

We have not obtained appraisals of our properties in connection with this offering. The consideration we have agreed to pay to our existing investors for their interests in our predecessor entities, including MXT Capital, which was not negotiated in an arm s length transaction, was determined by our executive officers based upon a capitalization rate analysis, an internal rate of return analysis, an assessment of the fair market value of the properties and the consideration of other factors, such as per bed value and the liquidation preference with respect to certain interests. As a result, this consideration may exceed our properties individual market values.

The initial public offering price of our common stock was determined in consultation with the underwriters and does not necessarily bear any relationship to the book value or the market value of our properties. Factors considered in determining the initial public offering price included the valuation multiples of publicly traded companies that the underwriters believe to be comparable to us, our financial information, the history of, and the prospects for, us and the industry in which we compete, an assessment of our management, its past and present operations, and the prospects for, and timing of, our future revenues, the present state of our development, and the above factors in relation to market values and various valuation measures of other companies engaged in activities similar to ours. As a result, our value, as represented by the initial public offering price of our common stock, may exceed the market value of our individual properties.

***Purchasers of our common stock in this offering will experience immediate and substantial dilution.***

The initial public offering price of our common stock is substantially higher than the net tangible book value per share of our common stock immediately after this offering. As of June 30, 2010, the aggregate historical combined net tangible book value of the interests and assets to be transferred to our operating partnership was approximately $(53.4) million, or $(48.90) per share of our common stock on a fully-diluted basis. The pro forma net tangible book value per share of our common stock after the consummation of this offering and our formation transactions will be less than the initial public offering price. You will therefore experience immediate dilution of $4.97 per share immediately after this offering.

***In addition to the underwriting discount and other fees, our underwriters and certain associated persons will receive other benefits from this offering.***

In addition to the underwriting discount and other fees to be received by our underwriters in connection with this offering, we expect that affiliates of Raymond James & Associates, Inc., Citigroup Global Markets Inc., Goldman, Sachs & Co., Barclays Capital Inc. and RBC Capital Markets Corporation will be lenders under our revolving credit facility that will become effective immediately upon completion of this offering and satisfaction of customary loan closing conditions. Raymond James & Associates, Inc. is also entitled to a structuring fee in an amount equal to 0.60% of the total public offering price of the common stock sold in this offering and a payment of $1.5 million for services rendered in connection with various financing and purchase and sale arrangements. In addition, we will purchase the preferred membership interest of CC-Encore for $3.9 million out of the net proceeds of this offering from RJRC, LLC, an entity owned by certain associated persons of Raymond James & Associates, Inc., Encore and other third-party investors. These transactions create a potential conflict of interest because certain of the underwriters and certain associated persons of the underwriters have interests in the successful completion of this offering beyond the underwriting discount that the underwriters will receive. These interests may influence the decision regarding the terms and circumstances under which the offering and our formation transactions are completed. See Underwriting Other Relationships.

The underwriters have engaged in commercial and investment banking transactions with our contributors in the ordinary course of their business and may in the future engage in commercial and investment banking transactions with us and/or our affiliates in the ordinary course of their business. They have received, and expect to receive, customary compensation and expense reimbursement for these commercial and investment banking transactions.

**Federal Income Tax Risk Factors**

***Our failure to qualify or remain qualified as a REIT could have a material and adverse effect on us and the market price of our common stock.***

We intend to operate in a manner that will allow us to qualify as a REIT for U.S. federal income tax purposes under the Internal Revenue Code. We have not requested and do not plan to request a ruling from the IRS, that we qualify as a REIT, and the statements in this prospectus are not binding on the IRS or any court. If we fail to qualify or lose our qualification as a REIT, we will face serious tax consequences that would substantially reduce the funds available for distribution to our stockholders for each of the years involved because:

- we would not be allowed a deduction for distributions to stockholders in computing our taxable income and we would be subject to U.S. federal income tax at regular corporate rates;

- we also could be subject to the U.S. federal alternative minimum tax and possibly increased state and local taxes; and

- unless we are entitled to relief under applicable statutory provisions, we could not elect to be taxed as a REIT for four taxable years following a year during which we were disqualified.

In addition, if we lose our qualification as a REIT, we will not be required to make distributions to stockholders, and all distributions to our stockholders will be subject to tax as regular corporate dividends to the extent of our current and accumulated earnings and profits. This means that our U.S. individual stockholders would be taxed on our dividends at a maximum U.S. federal income tax rate currently at 15%, and our corporate stockholders generally would be entitled to the dividends received deduction with respect to such dividends, subject, in each case, to applicable limitations under the Internal Revenue Code.

Qualification as a REIT involves the application of highly technical and complex Internal Revenue Code provisions and regulations promulgated thereunder for which there are only limited judicial and administrative interpretations. Even a technical or inadvertent violation could jeopardize our ability to qualify as a REIT. The complexity of these provisions and of the applicable U.S. Treasury Department regulations, or Treasury Regulations, that have been promulgated under the Internal Revenue Code is greater in the case of a REIT that, like us, holds its assets through a partnership. The determination of various factual matters and circumstances not entirely within our control may affect our ability to qualify as a REIT. In order to qualify as a REIT, we must satisfy a number of requirements on a continuing basis, including requirements regarding the composition of our assets, sources of our gross income and stockholder ownership. Also, we must make distributions to stockholders aggregating annually at least 90% of our REIT taxable income, excluding net capital gains.

As a result of these factors, our failure to qualify as a REIT could materially and adversely affect us and the market price of our common stock.

***To qualify and remain qualified as a REIT, we will likely rely on the availability of equity and debt capital to fund our business.***

To qualify and remain qualified as a REIT, we generally must distribute to our stockholders at least 90% of our REIT taxable income each year, excluding net capital gains, and we will be subject to regular corporate income taxes to the extent that we distribute less than 100% of our REIT taxable income each year. In addition, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions paid by us in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years. Because of REIT distribution requirements, we may be unable to fund capital expenditures, such as our developments, future acquisitions or property upgrades or renovations from operating cash flow. Therefore, we may be dependent on the public equity and debt capital markets and private lenders to fund our growth and other capital expenditures. However, we may not be able to obtain this capital on favorable terms or at all. Our access to third-party sources of capital depends, in part, on:

- general market conditions;
- our current debt levels and the number of properties subject to encumbrances;
- our current performance and the market s perception of our growth potential;
- our cash flow and cash dividends; and
- the market price of our common stock.

If we cannot obtain capital from third-party sources, we may not be able to acquire or develop properties when strategic opportunities exist, satisfy our debt service obligations or make the cash distributions to our stockholders, including those necessary to qualify or maintain our qualification as a REIT, which could materially and adversely affect us.

***Even if we qualify as a REIT, we may face other tax liabilities that have a material and adverse affect on our financial performance and liquidity.***

Even if we qualify for taxation as a REIT, we may be subject to certain federal, state and local taxes on our income and assets, including taxes on any undistributed income, tax on income from some activities conducted as a result of a foreclosure, and state or local income, property and

transfer taxes. Any of these taxes would cause our operating costs to increase, and therefore our financial performance and liquidity could be materially and adversely affected.

In particular, various services provided at our properties are not permitted to be provided directly by our Operating Partnership, but must be provided through TRSs that are treated as fully taxable corporations. Although we do not anticipate this to be the case, it is possible that the income that is derived by, and subject to corporate income tax in the hands of, such TRSs may be significant.

***To qualify or remain qualified as a REIT, we may be forced to limit the activities of our taxable REIT subsidiaries, which could materially and adversely affect us.***

To qualify or remain qualified as a REIT, no more than 25% of the value of our total assets may consist of the securities of one or more TRSs. Certain of our activities, such as our third-party development, construction, management and leasing services, must be conducted through our TRSs for us to qualify or remain qualified as a REIT. In addition, certain non-customary services must be provided by a TRS or an independent contractor. If the revenues from such activities create a risk that the value of our TRSs, based on revenues or otherwise, approaches the 25% threshold, we will be forced to curtail such activities or take other steps to remain under the 25% threshold. Since the 25% threshold is based on value, it is possible that the IRS could successfully contend that the value of our TRSs exceeds the 25% threshold even if our TRSs account for less than 25% of our consolidated revenues, income or cash flow. After our formation transactions, our third-party services will be performed by our TRSs. Consequently, income earned from our third-party services and non-customary services will be subject to regular federal income taxation and state and local income taxation where applicable, thus reducing the amount of cash available for distribution to our stockholders.

A TRS is not permitted to directly or indirectly operate or manage a hotel, motel or other establishment more than one-half of the dwelling units in which are used on a transient basis. We have been advised by counsel that the proposed method of operating our TRSs will not be considered to constitute such an activity. Future Treasury Regulations or other guidance interpreting the applicable provisions might adopt a different approach, or the IRS might disagree with the conclusion of our counsel. In such event we might be forced to change our method of operating our TRSs, or one or more of the TRSs could fail to qualify as a TRS, which could cause us to fail to qualify as a REIT. Any of the foregoing circumstances could materially and adversely affect us.

***If our operating partnership failed to qualify as a partnership for federal income tax purposes, we would cease to qualify as a REIT and we could be materially and adversely affected.***

We believe that our operating partnership will qualify to be treated as a partnership for federal income tax purposes. As a partnership, our operating partnership will not be subject to federal income tax on its income. Instead, each of its partners, including us, will be required to pay tax on its allocable share of our operating partnership s income. No assurance can be provided, however, that the IRS, will not challenge its status as a partnership for federal income tax purposes, or that a court would not sustain such a challenge. If the IRS were successful in treating our operating partnership as a corporation for tax purposes, we would fail to meet the gross income tests and certain of the asset tests applicable to REITs and, accordingly, cease to qualify as a REIT. Also, the failure of the our operating partnership to qualify as a partnership would cause it to become subject to federal state and corporate income tax, which would reduce significantly the amount of cash available for debt service and for distribution to its partners, including us.

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***Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends, which could materially and adversely affect the market price of our common stock.***

The maximum tax rate applicable to income from qualified dividends payable to U.S. stockholders that are individuals, trusts and estates has been reduced by legislation to 15% (through the end of 2010). Dividends payable by REITs, however, generally are not eligible for the reduced rates. Although this does not adversely affect the taxation of REITs or dividends payable by REITs, the more favorable rates applicable to regular corporate qualified dividends could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could materially and adversely affect the market price of the stock of REITs, including shares of our common stock.

***We may in the future choose to pay dividends in our own stock, in which case you may be required to pay income taxes in excess of the cash dividends you receive.***

We may in the future distribute taxable dividends that are payable in cash and shares of our common stock at the election of each stockholder. Under Revenue Procedure 2010-12 (which extends guidance previously issued by the IRS in Revenue Procedure 2009-15), up to 90% of any such taxable dividend through 2011 could be payable in our stock. Taxable stockholders receiving such dividends will be required to include the full amount of the dividend as ordinary income to the extent of our current and accumulated earnings and profits for federal income tax purposes. As a result, stockholders may be required to pay income taxes with respect to such dividends in excess of the cash dividends received. If a U.S. stockholder sells the stock that it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our common stock at the time of the sale. Furthermore, with respect to certain non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our common stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our common stock.

Further, while Revenue Procedure 2010-12 applies only to taxable dividends payable in cash or stock through 2011, it is unclear whether and to what extent we will be able to pay taxable dividends in cash and stock in later years. Moreover, various aspects of such a taxable cash/stock dividend are uncertain and have not yet been addressed by the IRS. No assurance can be given that the IRS will not impose additional requirements in the future with respect to taxable cash/stock dividends, including on a retroactive basis, or assert that the requirements for such taxable cash/stock dividends have not been met.

***Complying with REIT requirements may limit our ability to hedge effectively and may cause us to incur tax liabilities, which could materially and adversely affect our financial performance and liquidity.***

The REIT provisions of the Internal Revenue Code substantially limit our ability to hedge our liabilities. Any income from a hedging transaction we enter into to manage risk of interest rate changes with respect to borrowings made or to be made to acquire or carry real estate assets generally does not constitute gross income for purposes of the 75% gross income test or the 95% gross income test, if certain requirements are met. To the extent that we enter into other types of hedging transactions, the income from those transactions is likely to be treated as non-qualifying income for purposes of both of the gross income tests. As a result, we might have to limit our use of advantageous hedging techniques or implement those hedges through a TRS. This could increase the cost of our hedging activities because a domestic TRS would be subject to

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tax on gains or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear. In addition, losses in our TRSs will generally not provide any tax benefit, except for being carried forward against future taxable income in the respective TRS. These increased costs could materially and adversely affect our financial performance and liquidity.

***Complying with REIT requirements may cause us to forgo otherwise attractive investment opportunities, which could materially and adversely affect us.***

To qualify as a REIT for U.S. federal income tax purposes, we continually must satisfy tests concerning, among other things, the sources of our income, the type and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our stock. We may be unable to pursue investments that would be otherwise advantageous to us in order to satisfy the source-of-income, asset-diversification or distribution requirements for qualifying as a REIT. Thus, compliance with the REIT requirements may hinder our ability to make certain attractive investments, which could materially and adversely affect us.

***The ability of our board of directors to revoke our REIT election without stockholder approval may cause adverse consequences to our stockholders.***

Our charter provides that our board of directors may revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that it is no longer in our best interests to continue to qualify as a REIT. If we cease to qualify as a REIT, we would become subject to federal income tax on our taxable income and would no longer be required to distribute most of our taxable income to our stockholders, which may have adverse consequences on the total return to our stockholders.

***New legislation, regulation or administrative or judicial action, in each instance potentially with retroactive effect, could make it more difficult or impossible for us to qualify as a REIT.***

The present U.S. federal income tax treatment of REITs may be modified, possibly with retroactive effect, by legislative, regulation, administrative or judicial action at any time, which could affect the U.S. federal income tax treatment of an investment in our common stock. The U.S. federal income tax rules that affect REITs are under constant review by persons involved in the legislative process, the IRS and the U.S. Treasury Department, which results in statutory changes as well as frequent revisions to regulations and interpretations. Revisions in U.S. federal tax laws and interpretations thereof could cause us to change our investments and commitments, which could also affect the tax considerations of an investment in our common stock.

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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements that are subject to risks and uncertainties. Forward-looking statements are generally identifiable by use of forward-looking terminology such as may, will, should, potential, intend, expect, seek, anticipate, estimate, approximately, believe, could, proje plan or other similar words or expressions. Forward-looking statements are based on certain assumptions, discuss future expectations, describe future plans and strategies, contain financial and operating projections or state other forward-looking information. Our ability to predict results or the actual effect of future events, actions, plans or strategies is inherently uncertain. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth in, or implied by, the forward-looking statements. Factors that could materially and adversely affect our business, financial condition, cash flows, liquidity, results of operations, FFO and prospects include, but are not limited to:

the factors discussed in this prospectus, including those set forth under the section titled Risk Factors ;

the performance of the student housing industry in general;

decreased occupancy or rental rates at our properties resulting from competition or otherwise;

the operating performance of our properties;

the success of our development and construction activities;

changes on the admissions or housing policies of the colleges and universities from which we draw student-tenants;

the availability of and our ability to attract and retain qualified personnel;

changes in our business and growth strategies and in our ability to consummate additional joint venture transactions;

our capitalization and leverage level;

our capital expenditures;

the degree and nature of our competition, in terms of developing properties, consummating acquisitions and in obtaining student-tenants to fill our properties;

volatility in the real estate industry, interest rates and spreads, the debt or equity markets, the economy generally or the local markets in which our properties are located, whether the result of market events or otherwise;

events or circumstances which undermine confidence in the financial markets or otherwise have a broad impact on financial markets, such as the sudden instability or collapse of large financial institutions or other significant corporations, terrorist attacks, natural or man-made disasters or threatened or actual armed conflicts;

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the availability and terms of short-term and long-term financing, including financing for development and construction activities;

the availability of attractive development and/or acquisition opportunities in properties that satisfy our investment criteria, including our ability to identify and consummate successful property developments and property acquisitions;

the credit quality of our student-tenants and parental guarantors;

changes in personnel, including the departure of key members of our senior management, and lack of availability of qualified personnel;

unanticipated increases in financing and other costs, including a rise in interest rates;

estimates relating to our ability to make distributions to our stockholders in the future and our expectations as to the form of any such distributions;

environmental costs, uncertainties and risks, especially those related to natural disasters;

the limitations imposed by the tax protection agreement on our ability to sell or dispose of nine of our properties during the ten-year tax protection period;

changes in governmental regulations, accounting treatment, tax rates and similar matters;

legislative and regulatory changes (including changes to laws governing the taxation of REITs); and

limitations imposed on our business and our ability to satisfy complex rules in order for us to qualify as a REIT for U.S. federal income tax purposes and the ability of certain of our subsidiaries to qualify as TRSs for U.S. federal income tax purposes, and our ability and the ability of our subsidiaries to operate effectively within the limitations imposed by these rules.

When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this prospectus. Readers are cautioned not to place undue reliance on any of these forward-looking statements, which reflect our views as of the date of this prospectus. The matters summarized under Prospectus Summary, Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations, Business and Properties and elsewhere in this prospectus could cause our actual results and performance to differ materially from those set forth in, or implied by, our forward-looking statements. Accordingly, we cannot guarantee future results or performance. Furthermore, except as required by law, we are under no duty to, and we do not intend to, update any of our forward-looking statements after the date of this prospectus, whether as a result of new information, future events or otherwise.

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## USE OF PROCEEDS

Assuming an initial public offering price of $13.50 per share of common stock based upon the mid-point of the price range set forth on the cover page of this prospectus, we estimate we will receive gross proceeds from this offering of approximately $382.5 million or approximately $439.9 million if the underwriters overallotment option is exercised in full. After deducting the underwriting discount, structuring fee and other estimated fees and expenses payable by us, we expect net proceeds from this offering of approximately $348.9 million or approximately $402.4 million if the underwriters overallotment option is exercised in full.

We will contribute the net proceeds from this offering to our operating partnership. Assuming no exercise of the underwriters overallotment option, we intend to use the net proceeds from this offering and approximately $39.6 million of borrowings under our revolving credit facility as follows:

- approximately $287.1 million to reduce outstanding mortgage and construction loan indebtedness and pay associated costs, as follows:

  - $104.0 million outstanding under our mortgage loan with Silverton Bank (this loan, or the Silverton Bank Mortgage Loan, is secured by six of our properties and has an aggregate outstanding principal amount of approximately $104.0 million, as of June 30, 2010, an interest rate of 6.4% per annum and a maturity date of February 28, 2013);

  - $15.6 million outstanding under our construction loan with Wachovia Bank relating to The Grove at Mobile-Phase II (this loan, or The Grove at Mobile-Phase II Construction Loan, is secured by The Grove at Mobile-Phase II, has an aggregate outstanding principal amount of approximately $15.6 million, as of June 30, 2010, an interest rate of LIBOR plus 300 basis points (with a 5.5% interest rate floor) and a maturity date of October 31, 2010);

  - $150.2 million to Wachovia Bank as it relates to nine of our properties (this loan, or the Wachovia Bank Nine Property Construction Loan, is secured by nine of our properties and has an aggregate outstanding principal amount of approximately $148.9 million, as of June 30, 2010, an interest rate of LIBOR plus 280 basis points (with a 6.00% interest rate floor through October 31, 2010 with respect to approximately $136.4 million), a maturity date of January 31, 2011 and an additional loan extension fee of $1.3 million);

  - $14.9 million outstanding under our construction loan with Wachovia Bank as it relates to The Grove at San Marcos (this loan, or the Wachovia Bank Three Property Construction Loan, is secured by three of our properties and has an aggregate outstanding principal amount of approximately $14.9 million, as of June 30, 2010, an interest rate of LIBOR plus 250 basis points (with a 5.94% interest rate floor) and a maturity date of May 15, 2011); and

  - $2.4 million to pay costs associated with the termination of interest rate swaps and hedges relating to the repayment of this debt (based on the settlement value as of June 30, 2010);

- approximately $4.8 million to fund preferred investments in asset-owning entities that will use the net proceeds from such investments to reduce the outstanding principal balance of the Wachovia Bank Three Property Construction Loan that is secured, in part,

by The Grove at San Marcos, in connection with our purchase of The Grove at San Marcos and its removal from the collateral pool securing such loan;

approximately $4.0 million to repay indebtedness owed to Capital Bank, which has an interest rate of prime plus 1.0% and a maturity date of October 5, 2010;

approximately $6.0 million to repay unsecured indebtedness owed by us to RHR, LLC, an entity owned by MXT Capital and the Ricker Group, which has an interest rate of 12% and a maturity date of April 30, 2011; RHR, LLC will, in turn, immediately repay an equal amount of indebtedness owed by it to an unaffiliated third party on substantially the same terms and conditions as the loan from RHR, LLC to us;

approximately $4.5 million to MXT Capital, which will immediately use such amount to make capital contributions to certain entities that will, in turn, immediately use the capital contributions solely to repay indebtedness;

approximately $31.0 million to acquire interests in our properties from HSRE and satisfy associated obligations to HSRE;

approximately $26.7 million to acquire interests in our properties from the Ricker Group;

approximately $10.7 million to acquire interests in our properties from certain third-party investors;

approximately $3.4 million to acquire land on which we expect to commence building four properties following the completion of this offering;

$3.9 million to acquire the preferred membership interest in CC-Encore (which includes repayment of the $2.35 million loan from CC-Encore to Campus Crest Ventures I, LLC, or CCV I ); and

approximately $6.4 million for working capital and general corporate purposes.

Under certain circumstances, we have the option to cause Encore to purchase an additional preferred membership interest in CC-Encore in an amount not to exceed $2.5 million. See Management s Discussion and Analysis of Financial Condition and Results of Operations Overview Our Relationship with Encore. We have not exercised this option, we have no intent to exercise this option and our right to cause Encore to purchase an additional preferred membership interest, as well as CC-Encore itself, will be terminated upon completion of this offering and our repurchase of the currently outstanding preferred interest. However, to the extent we did exercise this option and Encore purchased an additional $2.5 million preferred interest, we would be obligated to purchase this additional interest for approximately $3.75 million upon completion of this offering. We would use a portion of the net proceeds to complete this purchase, which would reduce the amount of net proceeds available for working capital and general corporate purposes by $3.75 million.

If the underwriters overallotment option is exercised, we expect to use the additional net proceeds (which, if the underwriters overallotment is exercised in full, will be approximately $53.5 million (based upon the mid-point of the price range set forth on the cover page of this prospectus)) for working capital and general corporate purposes, which may include funding a portion of our expected development activity and other growth strategies and distributions to our stockholders.

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Pending application of any portion of the net proceeds from this offering, we will invest it in interest-bearing accounts and short-term, interest-bearing securities as is consistent with our intention to qualify for taxation as a REIT for federal income tax purposes. Such investments may include, for example, obligations of the U.S. federal government and governmental agency securities, certificates of deposit and interest-bearing bank deposits.

The following table provides information related to the expected sources and uses of the proceeds from this offering (assuming the underwriters overallotment option is not exercised) and borrowings under our revolving credit facility.

| **Sources** (in millions) | | **Uses** (in millions) | |
|---|---|---|---|
| Gross offering proceeds [1] | $ 382.5 | Underwriting discount | $ 23.3 |
| Draw under our revolving credit facility | 39.6 | Structuring fee | 2.3 |
| | | Other fees and expenses | 8.0 |
| | | Reduction of outstanding mortgage and construction loan indebtedness and payment of associated costs | 287.1 |
| | | Preferred investments | 4.8 |
| | | Repayment of unsecured indebtedness (Capital Bank and RHR, LLC) | 10.0 |
| | | Payment to MXT Capital for repayment of certain indebtedness | 4.5 |
| | | Payment to HSRE for interests in our properties and associated obligations | 31.0 |
| | | Payment to the Ricker Group for interests in our properties | 26.7 |
| | | Payment to certain third-party investors for interests in our properties | 10.7 |
| | | Acquisition of land | 3.4 |
| | | Acquisition of CC-Encore preferred membership interest | 3.9 |
| | | Working capital | 6.4 |
| **Total Sources** | $ 422.1 | **Total Uses** | $ 422.1 |

(1) This amount assumes 28,333,333 shares of common stock are sold in this offering and will increase or decrease depending upon whether such shares are sold above or below $13.50 per share (the mid-point of the price range set forth on the cover page of this prospectus).

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## OUR DISTRIBUTION POLICY

We intend to pay regular quarterly distributions to our common stockholders. We intend to pay a pro rata initial distribution with respect to the period commencing on the completion of this offering and ending December 31, 2010, based on $0.16 per share for a full quarter. On an annualized basis, this would be $0.64 per share, or an initial annual distribution rate of approximately 4.7% based on an assumed initial public offering price of $13.50 per share (the mid-point of the price range set forth on the cover page of this prospectus). Our ability to fund this distribution will depend, in part, upon continued successful leasing of our existing portfolio, expected future development activity and fee income from development, construction and management services. To the extent these sources are insufficient, we intend to use our working capital or borrowings under our revolving credit facility to fund these distributions. This estimate is based on our historical operating results, adjusted as described below, and does not take into account the four wholly-owned and three joint venture properties that we expect to commence building upon completion of this offering, with completion targeted for the 2011-2012 academic year, nor does it take into account any unanticipated expenditures we may have to make or any new debt we may have to incur.

Our estimate of cash available for distribution does not reflect:

- fee income from development, construction and management services that we may provide with respect to future joint venture properties, including the three joint venture properties that we expect to develop through a new joint venture that we expect to establish with HSRE, with completion targeted for the 2011-2012 academic year (see Management s Discussion and Analysis of Financial Condition and Results of Operations Factors Expected to Affect Our Operating Results Development, Construction and Management Services );

- cash to be used for capital expenditures, such as development and construction activities (including four wholly-owned properties and three joint venture properties that we expect to commence building upon completion of this offering) and property acquisitions, other than an estimate of recurring capital expenditures at our combined properties and our uncombined joint venture properties; or

- cash estimated to be used for financing activities, other than scheduled amortization payments on mortgage indebtedness that will be outstanding upon completion of this offering.

During the 12 months ending June 30, 2011, we expect to incur capital expenditures in connection with the development and construction of four student housing properties that we expect to build for our own account, with completion and occupancy targeted for the 2011-2012 academic year. In addition, we expect to pay a pro rata share of capital expenditures incurred by a joint venture in which we expect to own a 20% interest relating to the construction of three student housing properties, also with completion and occupancy targeted for the 2011-2012 academic year. We intend to fund these expenditures primarily with borrowings under our revolving credit facility and new construction indebtedness. As a result, we do not expect that these development activities will have a meaningful effect on our estimate of cash available for distribution for the 12 months ending June 30, 2011.

Although we currently have no additional commitments with respect to investing or financing activities, we may choose to undertake additional investing and/or financing activities in the future, which may have a material effect on our estimate of cash available for distribution. Because we have made the assumptions set forth above in estimating cash available for

distribution, we do not intend this estimate to be a projection or forecast of our actual results of operations or our liquidity, and have estimated cash available for distribution for the sole purpose of determining our initial annual distribution amount and corresponding payout ratio. Our estimate of cash available for distribution should not be considered as an alternative to cash flow from operating activities (computed in accordance with GAAP) or as an indicator of our liquidity or our ability to pay dividends or make distributions. In addition, the methodology upon which we made the adjustments described below is not necessarily intended to be a basis for determining future distributions.

We intend to maintain our initial distribution rate for the 12-month period following completion of this offering unless actual results of operations, economic conditions or other factors differ materially from the assumptions used in our estimate. Distributions made by us will be authorized and determined by our board of directors out of funds legally available therefor and will depend upon a number of factors, including restrictions under applicable law or contained in agreements relating to our indebtedness (including our revolving credit facility) or any future preferred stock. We believe that our estimate of cash available for distribution constitutes a reasonable basis for setting the initial distribution; however, no assurance can be given that the estimate will prove accurate, and actual distributions, if any, may therefore be significantly different from the expected distributions. We do not intend to reduce the expected distribution per share if the underwriters overallotment option is exercised; however, this could require us to pay distributions from the net proceeds of this offering.

We anticipate that, at least initially, our distributions will exceed our then current and then accumulated earnings and profits as determined for U.S. federal income tax purposes due to non-cash expenses, primarily depreciation and amortization charges that we expect to incur. Therefore, a portion of these distributions will represent a return of capital for federal income tax purposes. Distributions in excess of our current and accumulated earnings and profits and not treated by us as a dividend will not be taxable to a taxable U.S. stockholder under current federal income tax law to the extent those distributions do not exceed the stockholder s adjusted tax basis in such common stock, but rather will reduce the adjusted basis of the common stock. Therefore, the gain (or loss) recognized on the sale of that common stock or upon our liquidation will be increased (or decreased) accordingly. To the extent those distributions exceed a taxable U.S. stockholder s adjusted tax basis in such common stock, they generally will be treated as a capital gain realized from the taxable disposition of those shares. We expect that approximately 51% of our estimated initial annual distribution will represent a return of capital for federal income tax purposes. The percentage of our stockholder distributions that exceeds our current and accumulated earnings and profits may vary substantially from year to year. For a more complete discussion of the tax treatment of distributions to holders of our common stock, see Federal Income Tax Considerations.

We cannot assure you that our estimated distributions will be made at all, or at the rate estimated below, or if made, that such distributions will be sustained. Any distributions we pay in the future will depend upon our actual results of operations, economic conditions and other factors that could differ materially from our current expectations. Our actual results of operations will be affected by a number of factors, including the revenue we receive from our properties and our development, construction and management services, our operating expenses and interest expense, the ability of our student-tenants to meet their obligations and unanticipated expenditures. For more information regarding risk factors that could materially and adversely affect our actual results of operations, see Risk Factors.

If our properties do not generate sufficient cash flow with which to pay our estimated distributions, we will be required either to fund distributions from working capital or borrowings under our revolving credit facility or to reduce our distributions. Our revolving credit facility will contain covenants that restrict our ability to pay distributions or other amounts to our stockholders unless certain financial tests are satisfied and will limit distributions to the greater of 90% of our FFO or the amount required for us to qualify and maintain our status as a REIT. In addition, our revolving credit facility will contain certain provisions restricting or limiting our ability to draw funds under the facility.

Federal income tax law requires that a REIT distribute annually at least 90% of its REIT taxable income determined without regard to the dividends paid deduction and excluding net capital gains, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its REIT taxable income, including capital gains. For more information, please see Federal Income Tax Considerations. We anticipate that our estimated cash available for distribution and our estimated initial annual distribution will exceed the annual distribution requirements applicable to REITs. However, if our cash available for distribution does not exceed such requirements, we may be required to pay distributions in excess of cash available for distribution. In such a case, we would be required to fund the minimum required distribution from other sources, which could include asset sales (subject to the limitations imposed by the terms of the tax protection agreement) or borrowings. Funding a distribution through asset sales or borrowings could reduce our cash flow from operations, increase our interest expense and decrease our cash available for investment in our business. We may also choose to meet such distribution requirement by distributing a combination of cash and shares of our common stock, which may subject the holders of our common stock to adverse tax consequences. See Risk Factors Risks Related to this Offering We may not be able to make an initial distribution or maintain any initial, or subsequent, distribution rate, and we may be required to fund the minimum distribution necessary to qualify for taxation as a REIT from sources that could reduce our cash flows.

The following table describes our pro forma net loss for the 12 months ended June 30, 2010, and the adjustments we have made thereto in order to estimate our cash available for distribution for the 12 months ending June 30, 2011 (amounts in thousands except share data, per share data, per bed data and percentages):

| | | |
|---|---|---|
| Pro forma net loss before noncontrolling interest for the year ended December 31, 2009 | | $ (8,582) |
| Less: | Pro forma net loss before noncontrolling interest for the six months ended June 30, 2009 | (3,771) |
| Add: | Pro forma net loss before noncontrolling interest for the six months ended June 30, 2010 | (2,176) |
| Pro forma net loss for the 12 months ended June 30, 2010 | | (6,987) |
| Add: | Pro forma depreciation and amortization for the 12 months ended June 30, 2010 | 20,321(1) |
| Add: | Increase in net income before depreciation from existing development and construction services contracts for the 12 months ending June 30, 2011 compared to the 12 months ended June 30, 2010 | 432(2) |
| Add: | Increase in revenue from existing management services contracts for the 12 months ending June 30, 2011 compared to the 12 months ended June 30, 2010 | 384(3) |
| Add: | Increase in revenue from the anticipated increase in occupancy for the 12 months ending June 30, 2011 compared to the 12 months ended June 30, 2010 based on executed leases | 2,138(4) |
| Add: | Increase in revenue from the anticipated increase in average rental rate for the 12 months ending June 30, 2011 compared to the 12 months ended June 30, 2010 based on executed leases | 1,845(5) |
| Add: | Increase in net income before depreciation from a full year s operation of two consolidated properties that opened in August 2009 | 252(6) |

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| | | |
|---|---|---|
| Less: | Decrease in net income before depreciation from a full year s operation of three unconsolidated joint venture properties that opened in August 2009 | (121) (7) |
| Add: | Increase in net income before depreciation from the initial operations of three unconsolidated joint venture properties that opened in August 2010 for the 2010-2011 academic year based on executed leases | 739(8) |
| Add: | Decrease in expense from the non-recurring charge related to the write-off of pre-development costs that was recorded in September 2009 | 1,171(9) |
| Add: | Non-cash compensation expense | 318(10) |
| Add: | Non-cash interest expense | 110(11) |
| **Estimated cash flows from operating activities for the 12 months ending June 30, 2011** | | 20,602 |
| **Estimated cash flows used in investing activities:** | | |
| Less: | Annual provision for recurring capital expenditures consolidated properties | (372) (12) |
| Less: | Pro rata share of annual provision for recurring capital expenditures unconsolidated joint venture properties | (27) (13) |
| **Total estimated cash flow used in investing activities** | | (399) |
| **Estimated cash flows used in financing activities:** | | |
| Less: | Scheduled loan principal repayments consolidated properties | (14) |
| Less: | Pro rata share of scheduled loan principal repayments unconsolidated joint venture properties | (15) |
| Add: | Interest expense funded from construction loan draws unconsolidated joint venture properties | 502(16) |
| **Total estimated cash flows used in financing activities** | | 502 |
| **Total estimated cash available for distribution for the 12 months ending June 30, 2011** | | $ 20,705(17) |
| **Total estimated initial annual distribution to stockholders and holders of OP units** | | $ 19,002(18) |
| Estimated annual distribution per share/OP unit | | $ 0.64 |
| Payout ratio based on estimated cash available for distribution | | 91.8%(19) |
| **Estimated cash available for distribution to:** | | |
| OP units | | $ 867 |
| Shares of common stock | | $ 19,838 |

(1) Includes $19,275 of depreciation and amortization from our consolidated properties and $1,046 of our pro rata share of depreciation and amortization from our unconsolidated joint venture properties.

(2) The following table reflects the economic impact on the 12 months ending June 30, 2011 resulting from anticipated changes in contractual development and construction services revenue and expenses, as compared to the 12 months ended June 30, 2010. Revenue and expenses from development and construction services for the 12 months ending June 30, 2011 relate primarily to the completion of the three joint venture properties that opened in August 2010 for the 2010-2011 academic year.

| | 12 mos. Ended 12/31/09 | Six mos. Ended 6/30/09 | Six mos. Ended 6/30/10 | 12 mos. Ended 6/30/10 | 12 mos. Ending 6/30/11 | Increase/ |
|---|---|---|---|---|---|---|

| | (Pro Forma) | (Pro Forma) | (Pro Forma) | (Pro Forma) | (Existing Contracts) | (Decrease) |
|---|---|---|---|---|---|---|
| Revenues from External Customers | 24,505 | 13,192 | 17,264 | 28,577 | 3,470 | (25,107) |
| Operating Expenses (External) | 24,847 | 12,959 | 16,140 | 28,028 | 2,489 | (25,539) |
| **Net Income before Depreciation** | (342) | 233 | 1,124 | 549 | 981 | 432 |

(3) Adjustment reflects the net increase in contractual management fee revenues for the 12 months ending June 30, 2011 compared to the 12 months ended June 30, 2010 from contracts in place during the 12 months ended June 30, 2010. The increase in revenue from management services for the 12 months ending June 30, 2011 relates primarily to the impact

of a full year of management services revenue for the three joint venture properties that opened in August 2009 and the initiation of management services for the three joint venture properties that opened in August 2010.

(4) The following table reflects the economic impact on the 12 months ending June 30, 2011 resulting from anticipated changes in our occupancy based on our executed lease status for our operating properties (excluding the three properties that opened in August 2010) as of September 15, 2010, as compared to the 12 months ended June 30, 2010 as follows:

| | | Total Beds at Property | Occupancy for the 12 mos. Ended 6/30/10[a] | Occupancy as of 6/30/10 | Executed Lease Status for the 2010-2011 AY as of 9/15/10[b] | Pro Forma Occupancy for 12 mos. Ending 6/30/11[c] | Impact on Net Income before Depreciation for the 12 mos. Ending 6/30/11[d] |
|---|---|---|---|---|---|---|---|
| **Wholly-Owned Properties** | | | | | | | |
| 1 | Asheville, NC | 448 | 91% | 97% | 88% | 89% | $ (65) |
| 2 | Carrollton, GA | 492 | 98% | 99% | 92% | 93% | (125) |
| 3 | Las Cruces, NM | 492 | 84% | 87% | 83% | 83% | (41) |
| 4 | Milledgeville, GA | 492 | 98% | 97% | 99% | 99% | 29 |
| 5 | Abilene, TX | 504 | 77% | 81% | 87% | 87% | 274 |
| 6 | Ellensburg, WA | 504 | 97% | 99% | 96% | 97% | (3) |
| 7 | Greeley, CO | 504 | 74% | 79% | 98% | 97% | 594 |
| 8 | Jacksonville, AL | 504 | 81% | 85% | 81% | 81% | (5) |
| 9 | Mobile, AL Phase I | 504 | 94% | 96% | 100% | 100% | 162 |
| 10 | Mobile, AL Phase II | 504 | 96% | 98% | 100% | 100% | 96 |
| 11 | Nacogdoches, TX | 522 | 95% | 96% | 100% | 100% | 154 |
| 12 | Cheney, WA | 512 | 95% | 98% | 71% | 76% | (538) |
| 13 | Jonesboro, AR | 504 | 72% | 82% | 99% | 97% | 652 |
| 14 | Lubbock, TX | 504 | 79% | 86% | 92% | 92% | 366 |
| 15 | Stephenville, TX | 504 | 96% | 99% | 75% | 77% | (528) |
| 16 | Troy, AL | 514 | 95% | 94% | 98% | 98% | 77 |
| 17 | Waco, TX | 504 | 86% | 89% | 83% | 83% | (92) |
| 18 | Wichita, KS | 504 | 79% | 92% | 75% | 77% | (54) |
| 19 | Wichita Falls, TX | 504 | 69% | 71% | 67% | 67% | (50) |
| 20 | Murfreesboro, TN | 504 | 90% | 90% | 98% | 98% | 198 |
| 21 | San Marcos, TX | 504 | 98% | 97% | 100% | 100% | 53 |
| **Sub Total** | | 10,528 | 88% | 91% | 90% | 90% | $ 1,154 |
| **Joint Venture Properties** | | | | | | | |
| 22 | Lawrence, KS [e] | 500 | 37% | 42% | 76% | 73% | $ 446[f] |
| 23 | Moscow, ID | 504 | 43% | 50% | 89% | 86% | 538[f] |
| 24 | San Angelo, TX | 504 | 84% | 88% | 84% | 84% | [f] |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Sub Total** | 1,508 | 55% | 60% | 83% | 81% | $ 984 |
| **Total** | 12,036 | | | | | $ 2,138 |

(a) Occupancy for the historical 12 months ended June 30, 2010 reflects the average occupancy during that period, which generally includes one month of occupancy results from the 2008-2009 academic year (*i.e.*, July 2009) and 11 months of occupancy results from the 2009-2010 academic year (*i.e.*, August 2009 through June 2010).

(b) Executed lease status for the 2010-2011 academic year is based on the number of executed leases in hand for the 2010-2011 academic year as of September 15, 2010.

(c) Occupancy for the 12 months ending June 30, 2011 is generally based on one month (*i.e.*, July 2010) of in-place occupancy as of June 30, 2010 and 11 months (*i.e.*, August 2010 through June 2011) of occupancy based on executed leases in hand for the 2010-2011 academic year as of September 15, 2010. For Ellensburg, Washington and Cheney, Washington, occupancy for the 12 months ending June 30, 2011 is based on two months (*i.e.,* July and August 2010) of in-place occupancy as of June 30, 2010 and 10 months (*i.e.,* September 2010 through June 2011) of occupancy based on executed leases in hand for the 2010-2011 academic year as of September 15, 2010.

(d) Impact on net income before depreciation for the 12 months ending June 30, 2011 is based on the increase or decrease in occupancy assuming average monthly rental revenue per occupied bed for the 12 months ending June 30, 2011 is equal to average monthly rental revenue per occupied bed for the 12 months ended June 30, 2010.

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(e) Occupancy figures for Lawrence, Kansas based on 500 total beds. The property opened for the 2009-2010 academic year with 300 beds available, but was expanded to 500 beds for the 2010-2011 academic year.

(f) Adjusted to reflect: (i) impact of increase in management fee expense resulting from expected increase in revenue and net income before depreciation; and (ii) equity method of accounting assuming 49.9% ownership of each property.

(5) The following table reflects the economic impact on the 12 months ending June 30, 2011 resulting from anticipated changes in our average rental revenue per leased bed based on our executed lease status for our operating properties as of September 15, 2010, as compared to the 12 months ended June 30, 2010 as follows:

| | | Average Monthly Rental Revenue per Occupied Bed for the 12 mos. Ended 6/30/10[(a)] | Average Monthly Rental Revenue per Occupied Bed For the Month Ended 6/30/10 | Total Beds Leased for the 2010-2011 AY as of 9/15/10[(b)] | Average Monthly Rental Revenue per Leased Bed for the 2010-2011 AY[(b)] | Average Monthly Rental Revenue per Leased Bed for the 12 mos. Ending 6/30/11[(c)] | Impact on Net Income before Depreciation for the 12 mos. Ending 6/30/11[(d)] |
|---|---|---|---|---|---|---|---|
| **Wholly-Owned Properties** | | | | | | | |
| 1 | Asheville, NC | $ 467 | $ 484 | 394 | $ 488 | $ 488 | $ 99 |
| 2 | Carrollton, GA | 414 | 426 | 453 | 436 | 435 | 117 |
| 3 | Las Cruces, NM | 437 | 441 | 406 | 440 | 440 | 13 |
| 4 | Milledgeville, GA | 495 | 500 | 489 | 524 | 522 | 160 |
| 5 | Abilene, TX | 440 | 442 | 440 | 435 | 435 | (22) |
| 6 | Ellensburg, WA | 459 | 462 | 486 | 483 | 480 | 123 |
| 7 | Greeley, CO | 439 | 439 | 495 | 463 | 461 | 132 |
| 8 | Jacksonville, AL | 408 | 424 | 406 | 429 | 429 | 101 |
| 9 | Mobile, AL Phase I | 450 | 453 | 504 | 466 | 465 | 92 |
| 10 | Mobile, AL Phase II | 450 | 453 | 504 | 466 | 465 | 94 |
| 11 | Nacogdoches, TX | 482 | 484 | 522 | 508 | 506 | 153 |
| 12 | Cheney, WA | 448 | 450 | 366 | 448 | 448 | (1) |
| 13 | Jonesboro, AR | 428 | 426 | 498 | 440 | 439 | 63 |
| 14 | Lubbock, TX | 466 | 473 | 466 | 473 | 473 | 42 |
| 15 | Stephenville, TX | 449 | 451 | 376 | 470 | 469 | 87 |
| 16 | Troy, AL | 456 | 455 | 504 | 472 | 470 | 89 |
| 17 | Waco, TX | 517 | 516 | 418 | 535 | 534 | 86 |
| 18 | Wichita, KS | 430 | 440 | 380 | 453 | 452 | 100 |
| 19 | Wichita Falls, TX | 442 | 451 | 336 | 456 | 456 | 57 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 20 | Murfreesboro, TN | 452 | 452 | 496 | 442 | 442 | (58) |
| 21 | San Marcos, TX | 527 | 528 | 504 | 554 | 552 | 151 |
| **Sub Total** | | NM | NM | 9,443 | $ 472 | $ 471 | $ 1,678 |
| **Joint Venture Properties** | | | | | | | |
| 22 | Lawrence, KS | $ 439 | $ 444 | 380 | $ 457 | $ 456 | $ 36[e] |
| 23 | Moscow, ID | 435 | 453 | 450 | 455 | 455 | 49[e] |
| 24 | San Angelo, TX | 435 | 470 | 424 | 469 | 469 | 82[e] |
| **Sub Total** | | NM | NM | 1,254 | $ 460 | $ 460 | $ 167 |
| **Total** | | | | 10,697 | | | $ 1,845 |

(a) Average monthly rental revenue per occupied bed for the historical 12 months ended June 30, 2010 generally includes one month of results from the 2008-2009 academic year (*i.e.*, July 2009) and 11 months of results from the 2009-2010 academic year (*i.e.*, August 2009 through June 2010).

(b) Total beds leased and average monthly rental revenue per leased bed for the 2010-2011 academic year is based on executed leases in hand for the 2010-2011 academic year as of September 15, 2010 and is net of the economic impact of any lease concessions.

(c) Estimated average monthly rental revenue per leased bed for the 12 months ending June 30, 2011 is generally based on one month (*i.e.*, July 2010) of in-place average monthly rental revenue per occupied bed as of the month ended June 30, 2010 and 11 months (*i.e.*, August 2010 through June 2011) of estimated average monthly rental revenue per leased bed based on executed leases in hand for the 2010-2011 academic year as of September 15, 2010. For Ellensburg, Washington and Cheney, Washington, economic occupancy for the 12 months ending June 30, 2011 is based on two months (*i.e.*, July and August 2010) of in-place average monthly rental revenue per occupied bed as of June 30, 2010 and 10 months (*i.e.*, September 2010 through June 2011) of estimated average monthly rental revenue per leased bed based on executed leases in hand for the 2010-2011 academic year as of September 15, 2010.

(d) Impact on net income before depreciation is based on the difference between the estimated average monthly rental revenue per leased bed for the 12 months ending June 30, 2011 and the historical average monthly rental revenue per occupied bed for the 12 months ended June 30, 2010, multiplied by the number of executed leases in hand as of September 15, 2010, multiplied by 12 months.

(e) Adjusted to reflect: (i) impact of increase in management fee expense resulting from expected increase in revenue and net income before depreciation; and (ii) equity method of accounting assuming 49.9% ownership of each property.

(6) The following table reflects the economic impact on the 12 months ending June 30, 2011 resulting from a full year s operation of two consolidated properties that opened in August 2009 (The Grove at Murfreesboro and The Grove at San Marcos).

| | | Revenue for the 11 mos. Ended 6/30/10 | Annualized Revenue for the 12 mos. Ending 6/30/11[(a)] | Operating Expenses for the 11 mos. Ended 6/30/10 | Annualized Operating Expenses for the 12 mos. Ending 6/30/11[(a)] | Impact on Net Income before Depreciation for the 12 mos. Ending 6/30/11[(b)] |
|---|---|---|---|---|---|---|
| **Wholly-Owned Properties** | | | | | | |
| 1 | Murfreesboro, TN | $ 2,348 | $ 2,561 | $ 1,240 | $ 1,353 | $ 100 |
| 2 | San Marcos, TX | 2,940 | 3,207 | 1,265 | 1,380 | 152 |
| **Total** | | $ 5,288 | $ 5,768 | $ 2,505 | $ 2,733 | $ 252 |

(a) Based on average monthly revenue or operating expenses for the 11 months ended June 30, 2010 multiplied by 12.

(b) Represents the amount by which net income before depreciation (*i.e.,* revenue less operating expenses) for the 12 months ending June 30, 2011 exceeds net income before depreciation for the 11 months ended June 30, 2010.

(7) The following table reflects the economic impact on the 12 months ending June 30, 2011 resulting from a full year s operation of three unconsolidated joint venture properties that opened in August 2009 (The Grove at Lawrence, The Grove at Moscow and The Grove at San Angelo).

| Revenue | Annualized Revenue | Operating Expenses | Annualized Operating Expenses | Interest Expense | Estimated Interest Expense | Impact on Net Income before Depreciation |
|---|---|---|---|---|---|---|

| | | for the 11 mos. Ended 6/30/10 | for the 12 mos. Ending 6/30/11[(a)] | for the 11 mos. Ended 6/30/10 | for the 12 mos. Ending 6/30/11[(a)] | for the 11 mos. Ended 6/30/10 | for the 12 mos. Ending 6/30/11[(b)] | for the 12 mos. Ending 6/30/11[(c)] |
|---|---|---|---|---|---|---|---|---|
| **Joint Venture Properties** | | | | | | | | |
| 1 | Lawrence, KS | $ 937 | $ 1,022 | $ 858 | $ 936 | $ 869 | $ 1,000 | $ (62) |
| 2 | Moscow, ID | 1,103 | 1,203 | 1,007 | 1,099 | 822 | 951 | (60) |
| 3 | San Angelo, TX | 2,251 | 2,456 | 1,182 | 1,289 | 763 | 859 | 1 |
| **Total** | | $ 4,291 | $ 4,681 | $ 3,047 | $ 3,324 | $ 2,454 | $ 2,810 | $ (121) |

(a) Based on average monthly revenue or operating expenses for the 11 months ended June 30, 2010 multiplied by 12.

(b) Estimated interest expense based on contractual interest rates and loan balances as of June 30, 2010.

(c) Represents the amount by which net income before depreciation (*i.e.,* revenue less operating expenses less interest expense) for the 12 months ending June 30, 2011 exceeds net income before depreciation for the 11 months ended June 30, 2010, as adjusted to reflect equity method of accounting assuming 49.9% ownership of each property.

(8) Represents expected net income before depreciation from leasing activities related to three unconsolidated joint venture properties that opened in August 2010 for the 11 month period from August 2010 through June 2011, as follows:

| | Total Beds at Property | Total Beds Leased for the 2010-2011 AY as of 9/15/10[(a)] | Average Monthly Rental Revenue per Leased Bed for the 2010-2011 AY[(a)] | Contribution to Revenue for the 11 mos. Ending 6/30/11[(b)] | Average Monthly Historical Portfolio Operating Expense Per Bed[(c)] | Estimated Expenses for the 11 mos. Ending 6/30/11[(d)] | Estimated Interest Expense for the 11 mos. Ending 6/30/11[(e)] | Impact on Net Income before Depreciation for the 12 mos. Ending 6/30/11[(f)] |
|---|---|---|---|---|---|---|---|---|
| **Joint Venture Properties** | | | | | | | | |
| 1 Conway, AR | 504 | 470 | $ 441 | $ 2,278 | $ 205 | $ 1,138 | $ 1,080 | $ 30 |
| 2 Huntsville, TX | 504 | 504 | 448 | 2,481 | 205 | 1,138 | 703 | 319 |
| 3 Statesboro, GA | 536 | 536 | 447 | 2,637 | 205 | 1,211 | 644 | 390 |
| **Total** | 1,544 | 1,510 | N/A | $ 7,396 | N/A | $ 3,487 | $ 2,427 | $ 739 |

(a) Total beds leased and average monthly rental revenue per leased bed for the 2010-2011 academic year is based on executed leases in hand for the 2010-2011 academic year as of September 15, 2010 and is net of the economic impact of any lease concessions.

(b) Calculated as average monthly rental revenue per leased bed (excluding student housing services revenue) multiplied by 11 months (August 2010 through June 2011) multiplied by the number of signed leases.

(c) Represents the average monthly operating cost per bed at our operating properties for the 12 months ended June 30, 2010.

(d) Calculated as average monthly historical portfolio operating expense per bed multiplied by 11 months (August 2010 through June 2011) multiplied by the number of beds at the property.

(e) Estimated interest expense for the 11 months ending June 30, 2011 based on contractual interest rates and projected loan balances.

(f) Impact on net income before depreciation for the 12 months ending June 30, 2011 based on equity method of accounting assuming 49.9% ownership of each property.

(9) Write-off of pre-development costs represents a portion of a non-cash impairment charge incurred during the 12 months ended June 30, 2010 related to the write-off of capitalized expenditures for projects that were commenced but not completed due to unforeseen events, including significant limitations in the availability of debt financing to fund construction costs. We expect, subject to completion of this offering, to commence building four wholly-owned and three joint venture properties with completion targeted for the 2011-2012

academic year, and we anticipate obtaining adequate financing to fund our developments over the next 12 months through our revolving credit facility and construction debt. Therefore, we do not anticipate having to write-off significant pre-development expenditures for the 12 months ending June 30, 2011 as a result of the unavailability of financing.

(10) Represents pro forma non-cash compensation expense related to the vesting of awards granted under the 2010 Incentive Award Plan for the 12 months ended June 30, 2010.

(11) Represents pro forma non-cash amortization of deferred financing costs for the 12 months ended June 30, 2010.

(12) Represents estimated recurring capital expenditures for our consolidated properties for the 12 months ending June 30, 2011 based on estimated recurring capital expenditures of $35.31 per bed multiplied by 10,528 total beds at our consolidated properties. Recurring capital expenditures were estimated based on a weighted average of capital expenditures per bed for the three fiscal years ended December 31, 2009. For more information regarding our recurring capital expenditures, please see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Recurring Capital Expenditures.

(13) Represents our pro rata share of estimated recurring capital expenditures for our joint venture properties for the 12 months ending June 30, 2011 based on estimated recurring capital expenditures of $35.31 per bed multiplied by 1,508 total beds at our joint venture properties (excluding beds at our three joint venture properties that opened in August 2010, which we

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anticipate will not require material recurring capital expenditures for the 12 months ending June 30, 2011). Recurring capital expenditures were estimated based on a weighted average of capital expenditures per bed for the three fiscal years ended December 31, 2009. For more information regarding our recurring capital expenditures, please see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Recurring Capital Expenditures.

(14) Represents required mortgage loan payments for our consolidated properties after the repayment of certain indebtedness with the net proceeds from this offering.

(15) Represents our pro rata share of required mortgage loan payments for our unconsolidated joint venture properties.

(16) Represents our pro rata share of the interest expense at our three unconsolidated joint venture properties that opened in August 2010 that we expect to fund with draws under the construction facilities for these properties pursuant to the terms of such facilities, which generally provide that up to a specified amount of interest expense can be funded with incremental loan draws.

(17) Reflects estimated operating cash flows less cash flows used in financing and investing activities.

(18) Estimated initial annual distribution calculated by multiplying the assumed issued shares of 28,447,641 and OP units of 1,243,000 by the assumed initial distribution amount per share of $0.64.

(19) Payout ratio calculated by dividing the estimated initial annual distribution to stockholders and holders of OP units by the estimated annual cash available for distribution.

# CAPITALIZATION

The following table sets forth the capitalization of our Predecessor as of June 30, 2010 and our capitalization on a pro forma basis as of June 30, 2010, adjusted to reflect our formation transactions, this offering and the use of the net proceeds from this offering as described in Use of Proceeds. You should read this table in conjunction with Use of Proceeds, Selected Historical and Pro Forma Financial Information, Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and pro forma financial statements and the notes to those financial statements appearing elsewhere in this prospectus.

| | Predecessor as of June 30, 2010 (unaudited) | Pro Forma as of June 30, 2010 [1] (unaudited) |
|---|---|---|
| | (in thousands) | |
| Mortgage and construction loans | $ 329,374 | $ 60,840 |
| Lines of credit and other debt | 10,018 | 39,600(2) |
| Related party loan [3] | 7,671 | |
| Equity (deficit): | | |
| Noncontrolling interest | 799 | (57,175) |
| Common stock, $.01 par value, 90,000,000 shares authorized, 28,447,641 shares issued and outstanding on a pro forma basis [4] | | 284 |
| Additional paid in capital and accumulated losses | | 310,060 |
| Owners equity (deficit) | (54,245) | |
| Total owners equity (deficit) | (53,446) | 253,169 |
| Total capitalization | $ 293,617 | $ 353,609 |

(1) Assumes 28,333,333 shares are sold in this offering at $13.50 per share (the mid-point of the price range set forth on the cover of this prospectus).

(2) Upon completion of this offering and satisfaction of customary loan closing conditions, we will have a three-year, $125 million revolving credit facility, with approximately $61.2 million of borrowing capacity after giving effect to an expected draw upon completion of this offering and the issuance of letters of credit.

(3) Represents the proceeds from sale of The Grove at Milledgeville to HSRE, sale of 99% of our interest in HSRE I and prepaid management fees. These transactions are accounted for as financing arrangements.

(4) Does not include (i) any shares of common stock that may be issued pursuant to the underwriters overallotment option to purchase up to an additional 4,250,000 shares of common stock or (ii) OP units issued as part of our formation transactions or restricted OP units to be granted to Mr. Hartnett pursuant to his employment agreement. Includes 114,308 shares of restricted common stock to be granted at the time of the offering to our

independent directors, certain of our executive officers and certain members of our management team under our 2010 Incentive Award Plan.

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## DILUTION

Purchasers of our common stock in this offering will experience an immediate and substantial dilution of net tangible book value of their common stock from the assumed initial public offering price based on the mid-point of the price range set forth on the cover page of this prospectus. At June 30, 2010, we had a tangible net book value of approximately $(53.4) million or $(48.90) per share of common stock assuming the issuance of the OP units in our formation transactions and the exchange of the OP units into shares of our common stock on a one-for-one basis. After giving effect to the sale of the shares of our common stock offered hereby, the deduction of the underwriting discount, structuring fee and other estimated fees and expenses, the receipt by us of the net proceeds from this offering and the use of these net proceeds by us as described under Use of Proceeds and the consummation of our formation transactions, the pro forma net tangible book value at June 30, 2010 would have been $253.2 million or $8.53 per share of common stock. This amount represents an immediate increase in net tangible book value of $57.43 per share to existing holders of our common stock and an immediate dilution in pro forma net tangible book value of $4.97 per share from the assumed initial public offering price of $13.50 per share, which is the mid-point of the price range set forth on the cover page of this prospectus, to purchasers of common stock in this offering. The following table illustrates this per share dilution(1):

| | | |
|---|---|---|
| Assumed initial public offering price per share based on the mid-point of the price range set forth on the cover page of this prospectus | | $ 13.50 |
| Net tangible book value per share before our formation transactions and this offering (2) | $ (48.90) | |
| Net increase in pro forma net tangible book value per share attributable to our formation transactions and this offering(3) | 57.43 | |
| Pro forma net tangible book value per share after our formation transactions and this offering | | 8.53 |
| Dilution in pro forma net tangible book value per share to purchasers of common stock in this offering | | $ 4.97 |

(1) The calculations above assume that the initial public offering price of our common stock is at the mid-point of the price range set forth on the cover page of this prospectus.

(2) Net tangible book value per share before our formation transactions and this offering is determined by dividing the net book value of the tangible assets of our Predecessor by the number of shares of our common stock held by continuing investors after this offering, assuming the exchange in full of 1,093,000 OP units (excludes OP units to be granted to Mr. Hartnett pursuant to his employment agreement) to be issued to the continuing investors for shares of our common stock on a one-for-one basis.

(3) Represents increase in net tangible book value per share attributable to this offering and our formation transactions assuming the negative net tangible book value existing before this offering is spread among purchasers of common stock in this offering. This amount is calculated after deducting the underwriting discount and estimated expenses payable by us.

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## SELECTED HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

You should read the following selected historical and pro forma financial information in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations, the audited historical combined financial statements of our Predecessor (as defined below) and notes thereto, and our unaudited pro forma condensed consolidated financial statements and notes thereto. The selected historical and pro forma financial information contained in this section is not intended to replace the audited and unaudited financial statements included elsewhere in this prospectus.

Our Predecessor shall mean certain entities and their consolidated subsidiaries controlled by Campus Crest Group, LLC, and its consolidated subsidiaries, which carried out the development, construction, ownership and management of the properties that we will own interests in upon completion of this offering, including its interests in two joint ventures with HSRE.

The selected historical combined statements of operations and cash flows for the six months ended June 30, 2010 and 2009 and the selected historical combined balance sheet information as of June 30, 2010 have been derived from the unaudited historical combined financial statements of our Predecessor, included elsewhere in this prospectus. The unaudited historical combined financial statements have been prepared on the same basis as our audited historical combined financial statements and in the opinion of our management, reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of this information. The results for any interim period are not necessarily indicative of the results that may be expected for a full year. The selected historical combined statements of operations and cash flows for the years ended December 31, 2009, 2008 and 2007 and the selected historical combined balance sheet information as of December 31, 2009 and 2008 have been derived from the audited historical combined financial statements of our Predecessor, included elsewhere in this prospectus. The selected historical combined statements of operations for the years ended December 31, 2006 and 2005 and the selected historical combined balance sheet data for the years ended December 31, 2007, 2006 and 2005 have been derived from the unaudited combined financial statements of our Predecessor, not included in this prospectus. The selected pro forma condensed consolidated statements of operations for the six months ended June 30, 2010 and for the year ended December 31, 2009 and the selected pro forma condensed consolidated balance sheet information as of June 30, 2010 have been derived from our unaudited pro forma condensed consolidated financial statements, included elsewhere in this prospectus.

The selected pro forma condensed consolidated statements of operations and balance sheet information set forth below has been adjusted to reflect our formation transactions, the sale of the common stock offered hereby, the receipt of the estimated net proceeds from this offering, after deducting the underwriting discount and other estimated offering expenses payable by us, and the use of the estimated net proceeds as described under Use of Proceeds. The unaudited pro forma condensed consolidated financial information for the year ended December 31, 2009 and as of and for the six months ended June 30, 2010 is presented as if this offering, the use of net proceeds therefrom and our formation transactions all had occurred as of the last day of the period presented for the purposes of the unaudited pro forma condensed consolidated balance sheet information and on the first day of the period presented for the purposes of the unaudited pro forma condensed consolidated statements of operations.

The selected historical combined and pro forma condensed consolidated financial information set forth below and the financial statements included elsewhere in this prospectus do not necessarily reflect what our results of operations, financial condition or cash flows would have been if we had operated as a stand-alone company during all periods presented, and, accordingly, such information should not be relied upon as an indicator of our future performance, financial condition or liquidity.

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**Statement of Operations Information:**

| | Pro Forma Campus Crest Communities, Inc. | | Historical Campus Crest Communities Predecessor | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Six Months Ended June 30, | Year Ended December 31, | Six Months Ended June 30, | | Year Ended December 31, | | | | |
| | 2010 (unaudited) | 2009 (unaudited) | 2010 (unaudited) | 2009 (unaudited) | 2009 | 2008 | 2007 | 2006 (unaudited) | 2005 (unaudit |
| | (in thousands) | | | | | | | | |
| **venues**: | | | | | | | | | |
| ident housing sing | $ 25,986 | $ 45,021 | $ 24,443 | $ 21,219 | $ 43,708 | $ 30,813 | $ 15,598 | $ 5,335 | $ 1,03 |
| ident housing vices | 1,486 | 2,289 | 1,426 | 1,011 | 2,265 | 798 | 110 | 115 | 15 |
| velopment, nstruction and nagement services | 17,311 | 24,540 | 30,738 | 37,258 | 60,711 | 2,505 | | | |
| **tal revenues** | 44,783 | 71,850 | 56,607 | 59,488 | 106,684 | 34,116 | 15,708 | 5,450 | 1,19 |
| **erating expenses:** | | | | | | | | | |
| ident housing erations | 13,922 | 23,055 | 13,455 | 11,416 | 23,155 | 14,890 | 7,470 | 2,149 | 52 |
| velopment, nstruction and nagement services | 16,140 | 24,847 | 28,644 | 35,693 | 60,200 | 2,147 | | | |
| neral and ministrative | 3,500 | 6,572 | 2,618 | 2,454 | 5,617 | 5,422 | 3,467 | 1,747 | 45 |
| ound leases | 94 | 264 | 94 | 96 | 264 | 224 | 40 | | |
| ite-off of e-development costs | | 1,211 | | | 1,211 | 203 | | | |
| preciation and ortization | 9,792 | 18,598 | 9,429 | 9,115 | 18,371 | 13,573 | 5,765 | 1,708 | 52 |
| **tal operating penses** | 43,448 | 74,547 | 54,240 | 58,774 | 108,818 | 36,459 | 16,742 | 5,604 | 1,51 |
| uity in loss of combined entities | (1,041) | (506) | (194) | | (59) | | | | |
| **erating income ss)** | 294 | (3,203) | 2,173 | 714 | (2,193) | (2,343) | (1,034) | (154) | (32 |
| **noperating come (expense):** | | | | | | | | | |
| erest expense | (2,774) | (5,530) | (10,686) | (7,369) | (15,871) | (14,946) | (6,583) | (1,954) | (22 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| ange in fair value interest rate rivatives | 279 | 90 | 178 | 2,680 | 797 | (8,758) | (2,115) | | |
| come taxes | (128) | (73) | | | | | | | |
| her income pense) | 153 | 134 | 45 | (19) | 44 | (50) | 100 | 110 | |
| **tal nonoperating penses** | (2,470) | (5,379) | (10,463) | (4,708) | (15,030) | (23,754) | (8,598) | (1,844) | (22 |
| **t loss** | (2,176) | (8,582) | (8,290) | (3,994) | (17,223) | (26,097) | (9,632) | (1,998) | (54 |
| t income (loss) ributable to ncontrolling interest | (91) | (360) | (5,025) | (2,060) | (10,486) | (870) | (2,083) | 1,078 | (19 |
| **t loss attributable Campus Crest mmunities, Inc./ edecessor** | $ (2,085) | $ (8,222) | $ (3,265) | $ (1,934) | $ (6,737) | $ (25,227) | $ (7,549) | $ (3,076) | $ (35 |

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**Balance Sheet Information:**

| | Pro Forma Campus Crest Communities, Inc. | Historical Campus Crest Communities Predecessor | | | | | |
|---|---|---|---|---|---|---|---|
| | As of June 30, 2010 (unaudited) | As of June 30, 2010 (unaudited) | As of December 31, 2009 | 2008 | 2007 (unaudited) | 2006 (unaudited) | 2005 (unaudited) |
| | | | (in thousands) | | | | |
| **Assets:** | | | | | | | |
| Student housing properties | $ 370,400 | $ 348,466 | $ 347,157 | $ 326,217 | $ 182,788 | $ 48,775 | $ 12,691 |
| Accumulated depreciation | (48,403) | (48,403) | (38,999) | (20,794) | (7,752) | (2,066) | (506) |
| Development in process | 7,090 | 3,641 | 3,300 | 15,742 | 18,929 | 25,667 | 15,827 |
| **Investment in real estate, net** | 329,087 | 303,704 | 311,458 | 321,165 | 193,965 | 72,376 | 28,012 |
| Investment in uncombined entity | 21,472 | 3,257 | 2,980 | 776 | | | |
| Other assets | 24,700 | 21,412 | 17,358 | 20,214 | 19,939 | 5,269 | 1,721 |
| **Total assets** | $ 375,259 | $ 328,373 | $ 331,796 | $ 342,155 | $ 213,904 | $ 77,645 | $ 29,733 |
| **Liabilities:** | | | | | | | |
| Mortgage and construction loans | $ 60,840 | $ 329,374 | $ 329,102 | $ 322,426 | $ 166,905 | $ 65,560 | $ 21,784 |
| Lines of credit and other debt | 39,600 | 17,689 | 14,070 | 9,237 | 6,579 | 771 | 419 |
| Other liabilities | 21,650 | 34,756 | 31,340 | 32,606 | 25,533 | 6,370 | 4,455 |
| **Total liabilities** | 122,090 | 381,819 | 374,512 | 364,269 | 199,017 | 72,701 | 26,658 |
| **Equity:** | | | | | | | |
| Owners equity (deficit) | 310,344 | (54,245) | (50,090) | (42,502) | (14,589) | (4,974) | (383) |
| Noncontrolling interest | (57,175) | 799 | 7,374 | 20,388 | 29,476 | 9,918 | 3,458 |
| **Total equity** | 253,169 | (53,446) | (42,716) | (22,114) | 14,887 | 4,944 | 3,075 |
| **Total liabilities and equity** | $ 375,259 | $ 328,373 | $ 331,796 | $ 342,155 | $ 213,904 | $ 77,645 | $ 29,733 |

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**Other Data:**

| | Pro Forma Campus Crest Communities, Inc. | | Historical Campus Crest Communities Predecessor | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Six Months Ended June 30, | Year Ended December 31, | Six Months Ended June 30, | | Year Ended December 31, | | | | |
| | 2010 | 2009 | 2010 | 2009 | 2009 | 2008 | 2007 | 2006 | 2005 |
| | (unaudited and in thousands) | | | | | | | | |
| **Funds from operations ( FFO[1]):** | | | | | | | | | |
| Net loss | $ (2,176) | $ (8,582) | $ (8,290) | $ (3,994) | $ (17,223) | $ (26,097) | $ (9,632) | $ (1,998) | $ (549) |
| Real estate related depreciation and amortization | 9,643 | 18,432 | 9,280 | 8,918 | 18,205 | 13,042 | 5,721 | 1,696 | 521 |
| Real estate related depreciation and amortization unconsolidated joint ventures | 691 | 355 | 157 | | 52 | | | | |
| **FFO** | $ 8,158 | $ 10,205 | $ 1,147 | $ 4,924 | $ 1,034 | $ (13,055) | $ (3,911) | $ (302) | $ (28) |
| **FFO** | $ 8,158 | $ 10,205 | $ 1,147 | $ 4,924 | $ 1,034 | $ (13,055) | $ (3,911) | $ (302) | $ (28) |
| Elimination of change in fair value of interest rate derivatives | (279) | (90) | (2,893) | (2,990) | (3,480) | 7,414 | 2,115 | | |
| Elimination of development cost write-off | | 1,211 | | | 1,211 | 203 | | | |
| **Funds from operations adjusted ( FFOA[2])** | $ 7,879 | $ 11,326 | $ (1,746) | $ 1,934 | $ (1,235) | $ (5,438) | $ (1,796) | $ (302) | $ (28) |

| | Historical Campus Crest Communities Predecessor | | | | | | |
|---|---|---|---|---|---|---|---|
| | Six Months Ended June 30, | | Year Ended December 31, | | | | |
| | 2010 | 2009 | 2009 | 2008 | 2007 | 2006 | 2005 |
| | (unaudited) | | | | | (unaudited) | (unaudited) |
| | (in thousands) | | | | | | |
| **Cash flow information:** | | | | | | | |
| Net cash provided by (used in) operations | $ 2,739 | $ 2,068 | $ 4,353 | $ 1,264 | $ (1,209) | $ 395 | $ 4,394 |
| Net cash used in investing | (2,662) | (12,830) | (23,552) | (148,385) | (113,043) | (48,328) | (28,036) |
| Net cash provided by financing | 75 | 5,523 | 11,060 | 144,781 | 126,061 | 48,607 | 24,381 |

**Selected Property Information:**

| | As of June 30, | As of December 31, | | | | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
| Operating Properties | 24 | 24 | 19 | 10 | 4 | 1 |
| Units | 4,476 | 4,476 | 3,542 | 1,814 | 658 | 154 |
| Beds | 12,036 | 12,036 | 9,520 | 4,966 | 1,924 | 448 |
| Occupancy | 89% | 84% | 78% | 91% | 92% | 73% |

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

(2) When considering our FFO, we believe it is also a meaningful measure of our performance to adjust FFO to exclude the change in fair value of interest rate derivatives and the write-off of development costs. Excluding the change in fair value of interest rate derivatives and development cost write-offs adjusts FFO to be more reflective of operating results prior to capital replacement or expansion, debt amortization of principal or other commitments and contingencies. This measure is referred to herein as FFOA.

## MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion should be read in conjunction with  Selected Historical and Pro Forma Financial Information,  Structure and Formation,  our pro forma condensed consolidated financial statements and related notes and the historical combined financial statements and related notes of our Predecessor. Where appropriate, the following discussion includes an analysis of the effects of our formation transactions and this offering. These effects are reflected in the pro forma condensed consolidated financial statements located elsewhere in this prospectus. This discussion also analyzes the effects of certain matters that may occur following the completion of this offering.*

### Overview

#### *Our Company*

We are a self-managed, self-administered and vertically-integrated developer, builder, owner and manager of high-quality, purpose-built student housing. We believe that we are one of the largest vertically-integrated developers, builders, owners and managers of high-quality, purpose-built student housing properties in the United States based on beds owned and under management.

We were formed as a Maryland corporation on March 1, 2010 and our operating partnership, of which we, through our wholly-owned subsidiary, Campus Crest Communities GP, LLC, are the sole general partner, was formed as a Delaware limited partnership on March 4, 2010. As of the date of this prospectus, we have a single stockholder, MXT Capital. Upon completion of this offering and our formation transactions, we will own a 95.8% limited partnership interest in our operating partnership.

Upon completion of this offering and our formation transactions, we will own interests in 27 student housing properties containing approximately 5,048 apartment units and 13,580 beds. All of our properties are recently built, with an average age of approximately 2.2 years as of August 31, 2010. Twenty-one of our properties, containing approximately 3,920 apartment units and 10,528 beds, will be wholly-owned and six, containing approximately 1,128 apartment units and 3,052 beds, will be owned through a joint venture with HSRE, in which we will own a 49.9% interest. We recently completed construction of three of our joint venture properties, which commenced operations in August 2010. All of our communities contain modern apartment units with many resort-style amenities.

We derive substantially all of our revenue from student housing leasing, student housing services, construction and development services and management services. As of September 15, 2010, the average occupancy for our 27 properties was approximately 90%. Our properties are primarily located in medium-sized college and university markets, which we define as markets located outside of major U.S. cities that have nearby schools generally with overall enrollment of approximately 8,000 to 20,000 students. We believe such markets are underserved and are generally experiencing enrollment growth.

Following this offering, we intend to pay regular quarterly distributions to our common stockholders in amounts that meet or exceed the requirements for our qualification as a REIT. Although we currently anticipate making distributions to our common stockholders in cash to the extent cash is available for such purpose, we may, in the sole discretion of our board of directors, make a distribution of capital or of assets or a taxable distribution of our stock (as part of a distribution in which stockholders may elect to receive stock or, subject to a limit measured as a percentage of the total distribution, cash). See  Our Distribution Policy.

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### *Our Business Segments*

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

### *Student Housing Operations*

Our student housing operations are comprised of leasing and other service revenues, such as application fees, pet fees and late payment fees. We opened our first student housing property in Asheville, North Carolina in 2005 for the 2005-2006 academic year. We subsequently opened three additional properties in 2006 for the 2006-2007 academic year, six additional properties in 2007 for the 2007-2008 academic year and nine additional properties in 2008 for the 2008-2009 academic year. In 2009, we opened one additional property that was combined by our Predecessor and four additional properties that were owned by a joint venture in which we have a noncontrolling interest. Due to the continuous opening of new properties in consecutive years and annual lease terms that do not coincide with our reported fiscal years, the comparison of our consolidated financial results from year to year may not provide a meaningful measure of our operating performance. For this reason, we divide the results of operations in our student housing operations segment between new property operations and same-store operations, which we believe provides a more meaningful indicator of comparative historical performance.

### *Development, Construction and Management Services*

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

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

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### *Our Relationship With HSRE*

We have entered into two joint venture arrangements with HSRE. HSRE is a real estate private equity firm founded in 2005 that owns approximately $2.1 billion in real estate assets, including student housing properties, senior housing/assisted living units, self-storage units, boat storage facilities and medical office space. As described below, we have developed seven properties in partnership with HSRE with total aggregate cost of approximately $130.4 million.

On March 26, 2010, we entered into an agreement for the formation of a third joint venture arrangement with HSRE that is contingent upon the receipt of certain lender consents described below. Upon completion of this offering and our formation transactions, we will be party only to one of the foregoing joint venture arrangements relating to six properties, in which we will own a 49.9% interest and which will be accounted for as an investment in an unconsolidated joint venture. Additionally, we expect to establish a new joint venture with HSRE, in which we expect to own a 20% interest, that will build three student housing properties with completion targeted for the 2011-2012 academic year.

*HSRE I.* Our first joint venture with HSRE, HSRE-Campus Crest I, LLC, which we refer to as HSRE I, indirectly owns 100% interests in the following seven properties: The Grove at Conway, The Grove at Huntsville, The Grove at Lawrence, The Grove at Moscow, The Grove at San Angelo, The Grove at San Marcos and The Grove at Statesboro. We own a 0.1% interest in HSRE I and HSRE owns the remaining 99.9% (prior to the March 2010 transactions described below, we owned a 10% interest in HSRE I and HSRE owned the remaining 90%).

In general, we are responsible for the day-to-day management of HSRE I s business and affairs, provided that major decisions must be approved by us and HSRE. In addition to distributions to which we are entitled as an investor in HSRE I, we receive or have in the past received fees for providing services to the properties held by HSRE I pursuant to development and construction agreements and property management agreements. We have granted to an entity related to HSRE I a right of first opportunity with respect to certain development or acquisition opportunities identified by us. This right of first opportunity will terminate at such time as HSRE shall have funded at least $40 million of equity to HSRE I and/or certain related ventures. As of August 31, 2010, HSRE has funded approximately $35 million of the $40 million right of first opportunity. HSRE I will dissolve upon the disposition of substantially all of its assets or the occurrence of certain events specified in the agreement between us and HSRE. As described in Additional HSRE Joint Venture, we expect that HSRE will release us from this right of first opportunity.

Through the HSRE I joint venture, we developed the following seven properties: The Grove at Conway, The Grove at Huntsville, The Grove at Lawrence, The Grove at Moscow, The Grove at San Angelo, The Grove at San Marcos and The Grove at Statesboro. Information regarding the cost of developing these properties is set forth in the following table ($ in thousands):

| **Property** | **Land** | **Improvements** | **Total Cost** |
|---|---|---|---|
| The Grove at Conway(1) | $ 2,421 | $ 16,523 | $ 18,944 |
| The Grove at Huntsville(2) | $ 3,362 | $ 16,293 | $ 19,655 |
| The Grove at Lawrence(3) | $ 2,195 | $ 14,649 | $ 16,844 |
| The Grove at Moscow(3) | $ 92 | $ 19,734 | $ 19,826 |
| The Grove at San Angelo(3) | $ 776 | $ 16,476 | $ 17,252 |
| The Grove at San Marcos (3)(4) | $ 1,791 | $ 15,520 | $ 17,311 |
| The Grove at Statesboro(5) | $ 2,790 | $ 17,784 | $ 20,574 |

(1) Total cost includes $14.8 million in costs incurred through June 30, 2010 and $4.1 million in costs expected to be incurred after that date and through completion of the property.

(2) Total cost includes $17.3 million in costs incurred through June 30, 2010 and $2.4 million in costs expected to be incurred after that date and through completion of the property.

(3) Total cost includes all costs incurred through December 31, 2009.

(4) In connection with our formation transactions we will acquire a 100% interest in The Grove at San Marcos. See Post-Offering Transactions and Structure and Formation Formation Transactions.

(5) Total cost includes $15.4 million in costs incurred through June 30, 2010 and $5.2 million in costs expected to be incurred after that date and through completion of the property.

Pursuant to the terms of the HSRE I joint venture, we have the right to purchase our joint venture partner s interest (which, upon completion of the formation transactions, will be a 50.1% interest) in The Grove at Conway, The Grove at Huntsville and The Grove at Statesboro for an aggregate purchase price equal to $13.1 million at any time through December 31, 2010. If we exercise this purchase right, we will assume approximately $44.4 million of mortgage indebtedness relating to these properties, which may be pre-paid at anytime without penalty.

*HSRE II.* Our second joint venture with HSRE, HSRE-Campus Crest II, LLC, which we refer to as HSRE II, indirectly owns a 100% interest in The Grove at Milledgeville. In November 2009, an entity in which we hold a 50% interest sold a 100% interest in The Grove at Milledgeville to HSRE II, and retained an ownership interest in HSRE II of 10%. Upon completion of this offering and our formation transactions, HSRE II will be dissolved, and we will own 100% of The Grove at Milledgeville.

*HSRE III.* Our third joint venture with HSRE, HSRE-Campus Crest III, LLC, which we refer to as HSRE III, indirectly owns a 100% interest in The Grove at Carrollton. In September 2010, an entity in which we hold a 38% interest sold a 100% interest in The Grove at Carrollton to HSRE III, and retained an ownership interest in HSRE III of 0.1%. Upon completion of this offering and our formation transactions, HSRE III will be dissolved, and we will own 100% of The Grove at Carrollton.

*March 2010 Transactions.* In March 2010, we consummated the following transactions with HSRE, for which we received cash proceeds of approximately $2.25 million:

- the sale of a 9.9% interest in HSRE I to HSRE; and

- the pre-payment by HSRE to us of management fees relating to the following properties: The Grove at Carrollton, The Grove at Conway, The Grove at Huntsville, The Grove at Lawrence, The Grove at Milledgeville, The Grove at Moscow, The Grove at San Angelo, The Grove at San Marcos and The Grove at Statesboro.

All of the transactions that we entered into with HSRE in March 2010 were for the purpose of providing short-term financing for our ongoing working capital needs, including the costs of our corporate overhead, development and construction staffs, pre-development expenditures with respect to our expected 2011 development properties, and certain costs incurred in connection with this offering.

*Post-Offering Transactions.* Upon completion of this offering, we have agreed to consummate the following transactions:

- purchase a 49.8% interest in HSRE I from HSRE, with the result that we will own 49.9% of HSRE I;

- purchase a 50.1% interest in The Grove at San Marcos from HSRE I, with the result that we will own 100% of The Grove at San Marcos;

purchase approximately $4.8 million of preferred interests in special-purpose subsidiaries of HSRE I that own The Grove at Moscow and The Grove at San Angelo, with the net proceeds of such investments together with net proceeds from our purchase of a 50.1% interest in The Grove at San Marcos from HSRE I, used to reduce the outstanding principal balance under our Wachovia Bank Three Property Construction Loan (that is currently secured by The Grove at San Marcos, The Grove at Moscow and The Grove at San Angelo) by approximately $19.7 million, in connection with our purchase of HSRE I s interest in The Grove at San Marcos and its removal from the collateral pool securing such loan;

purchase HSRE s entire interest in HSRE II, with the result that we will own 100% of The Grove at Milledgeville;

purchase HSRE s entire interest in HSRE III, with the result that we will own 100% of The Grove at Carrollton; and

repay to HSRE the pre-paid management fees relating to the following properties: The Grove at Carrollton, The Grove at Conway, The Grove at Huntsville, The Grove at Lawrence, The Grove at Milledgeville, The Grove at Moscow, The Grove at San Angelo, The Grove at San Marcos and The Grove at Statesboro.

The foregoing will result in a payment to HSRE out of the net proceeds from this offering, subject to certain adjustments, of approximately $31.0 million.

Upon completion of the foregoing transactions, we will own:

a 49.9% interest in HSRE I, which will own 100% interests in the following six properties: The Grove at Conway, The Grove at Huntsville, The Grove at Lawrence, The Grove at Moscow, The Grove at San Angelo and The Grove at Statesboro; and

100% interests in The Grove at Carrollton, The Grove at Milledgeville and The Grove at San Marcos.

*New HSRE Joint Venture.* We expect to enter into a new joint venture with HSRE, to which HSRE will contribute up to $50 million, that will develop and operate additional purpose-built student housing properties. We currently expect that we will own a 20% interest in this venture and that affiliates of HSRE will own the balance.

In general, we expect that we will be 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 would be entitled as an investor in the venture, we expect that we will receive fees for providing services to the venture pursuant to development and construction agreements and property management agreements. In general, we expect to 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 expect to receive a reimbursement of a portion of our overhead relating to each development project at a negotiated rate. Under certain circumstances, we expect that we will be responsible for funding the amount by which actual development costs for a project pursued by the venture exceed the budgeted development costs of such project (without any increase in our interest in the project), which could materially and adversely affect the fee income realized from any such project. We expect to grant the venture a right of first opportunity 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. In connection with granting the foregoing right of first opportunity, we expect that HSRE will release us from the right of first opportunity currently contained in our HSRE I joint venture agreement, under which HSRE has the right to invest approximately $5 million of additional equity. The terms of this potential venture would not prohibit us from developing a wholly-owned student housing property for our account.

Subject to obtaining adequate financing, we expect that this new venture will build three new student housing properties with completion targeted for the 2011-2012 academic year. We expect that such properties will be located in Denton, Texas, Orono, Maine and Valdosta, Georgia,

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will contain an aggregate of approximately 1,788 beds and will have an estimated cost of approximately $70.3 million.

Although we have entered into a non-binding letter of intent with HSRE relating to this potential joint venture, no assurance can be given that we will reach a definitive agreement with HSRE regarding this potential new joint venture or that the terms of any such agreement will not be materially different from those described above. Similarly, no assurance can be given that, if such a joint venture is consummated, it will be successful in building the currently identified or other student housing properties. Further, if these three or other properties are developed, there can be no assurance that we will be able to achieve attractive occupancy levels or rental rates.

***Our Relationship with Encore***

On August 2, 2010, subsidiaries of MXT Capital entered into an agreement with Encore for the formation of CC-Encore. Encore contributed $2.5 million to CC-Encore in exchange for a preferred membership interest, and subsidiaries of MXT Capital contributed to CC-Encore and pledged to Encore interests in certain properties and subsidiaries. The Ricker Group also is a party to this agreement, and it contributed to CC-Encore and pledged to Encore interests that it owned in certain properties. Subsidiaries of MXT Capital contributed to CC-Encore the following ownership interests:

49% of Campus Crest at Abilene, LP;

49% of Campus Crest at Nacogdoches, LP;

47% of Campus Crest at Ellensburg, LLC;

39% of Campus Crest at Greeley, LLC;

49% of Campus Crest at Mobile, LLC; and

49% of Campus Crest at Jacksonville, AL, LLC.

Additionally, subsidiaries of MXT Capital and the Ricker Group, collectively, contributed to CC-Encore rights to distributions from the following entities:

90% of any distributions from Campus Crest at Las Cruces, LLC;

100% of any distributions from Campus Crest at Mobile Phase II, LLC;

62% of any distributions from Campus Crest at Asheville, LLC;

51% of any distributions from Campus Crest at Abilene, LP;

51% of any distributions from Campus Crest at Nacogdoches, LP;

51% of any distributions from Campus Crest at Ellensburg, LLC;

51% of any distributions from Campus Crest at Greeley, LLC;

51% of any distributions from Campus Crest at Mobile, LLC;

51% of any distributions from Campus Crest at Jacksonville, AL, LLC; and

100% of any distributions from The Grove Student Properties, LLC.

Upon our purchase of the preferred membership interest in CC-Encore with a portion of the net proceeds from this offering, CC-Encore will distribute the ownership interests in the contributed entities to the parties that contributed them, and our operating partnership will acquire such interests from MXT Capital and the Ricker Group in connection with the formation transactions.

CC-Encore loaned the net proceeds of $2.35 million from Encore s contribution, after payment to Encore of $150,000 in origination fees, to CCV I. The loan has an interest rate of 0.7% per annum, and all principal and interest is payable on January 1, 2014 unless CC-Encore exercises a payment demand prior to such date. CC-Encore may demand the repayment of the loan to CCV I at any time upon the determination of a majority of its managers to do so, which Encore effectively controls as it has appointed two of the three managers of CC-Encore. In the event that the demand right is exercised, CCV I is obligated to repay the outstanding balance of the loan plus accrued interest to CC-Encore.

The purpose of this transaction with Encore was to provide short-term financing for our ongoing working capital needs, including the costs of our corporate overhead, development and construction staffs, pre-development expenditures with respect to our expected 2011 development properties, and certain costs incurred in connection with this offering. The effect of this transaction with Encore was that we acquired short-term financing in the amount of $2.35 million and incurred an obligation to repay the financing in the amount of $3.9 million.

We are obligated to purchase the preferred membership interest upon completion of this offering for $3.9 million, at which time the joint venture with Encore will be terminated. Upon our purchase of the preferred membership interest in CC-Encore, the distribution of the ownership interests in the contributed entities to the parties that contributed them, the termination of CC-Encore, the termination of the pledge of interests to Encore and the transactions set forth in the contribution agreements entered into by MXT Capital, the Ricker Group and certain third party investors, we will own 100% of the interests contributed to CC-Encore and pledged to Encore. The $3.9 million purchase price to be paid by us for the preferred membership interest was the result of an arm s length negotiation between Encore (an unaffiliated third party) and us at the time of Encore s purchase of the preferred membership interest and, in our determination, represented a market transaction at the time of its consummation for a preferred equity financing by CC-Encore, a private company whose sole assets consist of interests in private operating companies and student housing properties.

Prior to the completion of this offering and while the preferred membership interest remains outstanding, we are subject to financial and other covenants under the terms of the agreement pursuant to which Encore purchased the preferred membership interest, and we have the right to repurchase the preferred membership interest under certain circumstances. In addition, while the preferred membership interest remains outstanding through December 31, 2013, Encore has agreed to purchase, at our option, an additional preferred membership interest in CC-Encore (subject to a maximum additional preferred investment of $2.5 million) equal to the amount of net operating income in excess of $1.9 million multiplied by 1.35 generated by the following entities: Campus Crest at Las Cruces, LLC; Campus Crest at Mobile Phase II, LLC; Campus Crest at Asheville, LLC; Campus Crest at Abilene, LP; Campus Crest at Nacogdoches, LP; Campus Crest at Ellensburg, LLC; Campus Crest at Greeley, LLC; Campus Crest at Mobile, LLC; and Campus Crest at Jacksonville, AL, LLC. We do not expect that we will exercise our option to cause Encore to purchase any additional preferred membership interest in CC-Encore. However, if Encore were to make the maximum additional preferred investment of $2.5 million in CC-Encore, we would be obligated to purchase this additional interest for approximately $3.75 million upon completion of the offering and we would use additional net proceeds from this offering to do so. Subsequent to the formation of CC-Encore, Encore assigned its preferred membership interest to RJRC, LLC. See Underwriting Other Relationships.

***Revolving Credit Facility***

We have entered into a credit agreement with Citibank, N.A. and certain other parties thereto relating to a three-year, $125 million senior secured revolving credit facility, which will become effective immediately upon completion of this offering and satisfaction of customary loan closing conditions, which are expected to include, among other things, satisfactory review by lenders of appraisals, environmental reports, engineering reports, other company- and property-level diligence, successful completion of this offering, absence of material adverse changes, payment of fees, and the negotiation, execution and delivery of definitive documentation satisfactory to Citibank, N.A. and other lenders. For additional information regarding the secured credit facility, please refer to Liquidity and Capital Resources Principal Capital Resources below.

## Income Taxation

In connection with this offering, we intend to elect to be treated as a REIT under Sections 856 through 859 of the Internal Revenue Code commencing with our taxable year ending on December 31, 2010. Our qualification as a REIT depends upon our ability to meet on a continuing basis, through actual investment and operating results, various complex requirements under the Internal Revenue Code relating to, among other things, the sources of our gross income, the composition and values of our assets, our distribution levels and the diversity of ownership of our stock. We believe that we will be organized in conformity with the requirements for qualification and taxation as a REIT under the Internal Revenue Code and that our intended manner of operation will enable us to meet the requirements for qualification and taxation as a REIT.

As a REIT, we generally will not be subject to U.S. federal income tax on our REIT taxable income that we distribute currently to our stockholders. If we fail to qualify as a REIT in any taxable year and do not qualify for certain statutory relief provisions, we will be subject to U.S. federal income tax at regular corporate rates and may be precluded from qualifying as a REIT for the subsequent four taxable years following the year during which we lost our REIT qualification. Even if we qualify as a REIT, we may be subject to some U.S. federal, state and local taxes on our income or property.

## Factors Expected to Affect Our Operating Results

### *Unique Leasing Characteristics*

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

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

Unlike traditional multi-family housing, most of our leases commence and terminate on the same dates. In the case of our typical 11.5-month leases (which provide for 12 equal monthly payments), these dates coincide with the commencement of the fall academic term and typically terminate at the completion of the last subsequent summer school session. As such, we must re-lease each property in its entirety each year, resulting in significant turnover in our tenant population from year to year. As a result, we are highly dependent upon the effectiveness of our marketing and leasing efforts during the annual leasing season that typically begins in January and ends in August of each year. Our properties occupancy rates are therefore typically relatively stable during the August to July academic year, but are susceptible to fluctuation at the commencement of each new academic year, which may be greater than the fluctuation in occupancy rates experienced by traditional multi-family properties. For most of our properties, the primary leasing season concludes by the end of August (our properties located in Ellensburg, Washington and Cheney, Washington are exceptions, where the primary leasing season typically extends into September, as the academic year for the primary university served by each of these properties typically starts in late September).

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### *Development, Construction and Management Services*

The amount and timing of revenues from development, construction and management services will typically be contingent upon the number and size of development projects that we are able to successfully structure and finance in our current and future uncombined joint ventures. In particular, subject to completion of this offering, we expect to enter into a new joint venture with HSRE, in which we expect to have a 20% interest, that will build three student housing properties with completion targeted for the 2011-2012 academic year. Subject to negotiating definitive terms relating to this joint venture, we expect to receive fees for providing development and construction services to this joint venture. Similarly, we expect to receive management fees for managing properties owned by this joint venture once they are placed in service. No assurance can be given that we will reach a definitive agreement with HSRE regarding this potential joint venture or the terms of any such agreement. Similarly, no assurance can be given that if such a joint venture is entered it will be successful in developing student housing properties as currently contemplated.

## Results of Operations

We have not had any corporate activity since our formation, other than the issuance of one share of common stock to MXT Capital in connection with our initial capitalization and activities in preparation for this offering. Accordingly, we believe that a discussion of our results of operations would not be meaningful, and we have therefore set forth a discussion regarding the historical results of operations of our Predecessor only. The historical results of operations presented below should be reviewed along with the pro forma financial information contained elsewhere in this prospectus, which includes adjustments related to the effects of the repayment of certain indebtedness and the completion of this offering and our formation transactions.

### *Comparison of Six Months Ended June 30, 2010 and June 30, 2009*

As of June 30, 2010, our property portfolio consisted of 20 combined properties, containing approximately 3,728 apartment units and 10,024 beds, four operating properties held in uncombined joint ventures, containing approximately 748 apartment units and 2,012 beds, and three properties under construction and held in an uncombined joint venture, containing approximately 572 apartment units and 1,544 beds. In November 2009, we sold The Grove at Milledgeville to HSRE II, an affiliate of HSRE, and we retained an indirect ownership interest of 5%. Since we have the contractual ability and intend to repurchase those ownership interests in The Grove at Milledgeville which we had previously sold, we have not accounted for this transaction as a sale for financial reporting purposes. Accordingly, The Grove at Milledgeville has been combined for the six months ended June 30, 2010.

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The following table presents our results of operations for the six months ended June 30, 2010 and 2009, including the amount and percentage change in these results between the periods:

| | Six Months Ended June 30, 2010 | Six Months Ended June 30, 2009 | Change ($) | Change (%) |
|---|---|---|---|---|
| | (unaudited and in thousands) | | | |
| **Revenues:** | | | | |
| Student housing leasing | $ 24,443 | $ 21,219 | $ 3,224 | 15.2% |
| Student housing services | 1,426 | 1,011 | 415 | 41.0% |
| Development, construction and management services | 30,738 | 37,258 | (6,520) | (17.5)% |
| **Total revenues** | 56,607 | 59,488 | (2,881) | (4.8)% |
| **Operating expenses:** | | | | |
| Student housing operations | 13,455 | 11,416 | 2,039 | 17.9% |
| Development, construction and management services | 28,644 | 35,693 | (7,049) | (19.7)% |
| General and administrative | 2,618 | 2,454 | 164 | 6.7% |
| Ground leases | 94 | 96 | (2) | (2.1)% |
| Depreciation and amortization | 9,429 | 9,115 | 314 | 3.4% |
| **Total operating expenses** | 54,240 | 58,774 | (4,534) | (7.7)% |
| Equity in loss of uncombined entities | (194) | | (194) | N/A |
| **Operating income** | 2,173 | 714 | 1,459 | 204.3% |
| **Nonoperating income (expenses):** | | | | |
| Interest expense | (10,686) | (7,369) | (3,317) | 45.0% |
| Change in fair value of interest rate derivatives | 178 | 2,680 | (2,502) | (93.4)% |
| Other income (expense) | 45 | (19) | 64 | (336.8)% |
| **Total nonoperating expenses** | (10,463) | (4,708) | (5,755) | 122.2% |
| **Net loss** | (8,290) | (3,994) | (4,296) | 107.6% |
| Net loss attributable to noncontrolling interest | (5,025) | (2,060) | (2,965) | 143.9% |
| **Net loss attributable to Predecessor** | $ (3,265) | $ (1,934) | $ (1,331) | 68.8% |

***Student Housing Operations***

Revenues (which include student housing leasing and student housing service revenues) and operating expenses in the student housing operations segment increased by approximately $3.6 million and approximately $2.0 million, respectively, for the six months ended June 30, 2010 as compared to 2009. The increase in revenues was primarily due to the inclusion of results from The Grove at Murfreesboro for the six months ended June 30, 2010 as well as increases in occupancy and monthly revenue per bed at our other combined properties. The increase in operating expenses was primarily due to increases in property-level payroll expenses, utilities, repairs and maintenance and real estate taxes.

*New Property Operations.* In August of 2009, we opened five new properties that were developed by us. As of June 30, 2010, four of these properties were owned by an uncombined joint venture in which we had a 0.1% ownership interest, while the remaining property, The Grove at Murfreesboro, was reflected in our combined operating results. The Grove at Murfreesboro contributed approximately $1.3 million of revenues and approximately $0.7 million of operating expenses for the six months ended June 30, 2010 as compared to no contribution to revenues and operating expenses for the six months ended June 30, 2009. The other four properties that opened in 2009 are discussed below under the heading Equity in Loss of Uncombined Entities.

*Same-Store Property Operations.* We had 19 properties that were operating for the six months ended June 30, 2010 and 2009. These properties contributed approximately $24.6 million of revenues and approximately $12.8 million of operating expenses for the six months ended June 30, 2010 as compared to approximately $22.2 million of revenues and approximately $11.4 million of operating expenses for the six months ended June 30, 2009. Average occupancy at our same-store properties increased to approximately 88.2% for the six months ended June 30, 2010 as compared to approximately 80.1% for the six months ended June 30, 2009 and average monthly revenue per occupied bed increased to approximately $488 for the six months ended June 30, 2010 as compared to approximately $486 for the six months ended June 30, 2009. The increase in operating expenses was primarily due to increases in property-level payroll expenses, utilities, repairs and maintenance and real estate taxes.

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

Revenues and operating expenses in the development, construction and management services segment decreased by approximately $6.5 million and approximately $7.0 million, respectively, for the six months ended June 30, 2010 as compared to the six months ended June 30, 2009. Our development, construction and management services segment recognizes revenues and operating expenses for development, construction and management services provided to uncombined joint ventures in which we have an ownership interest. We eliminate revenue and related expenses on such transactions with our uncombined entities to the extent of our ownership interest. The decreases in development, construction and management services revenues and operating expenses were primarily due to a decreased level of construction activity on the three uncombined joint venture properties under construction for the six months ended June 30, 2010 as compared to the four uncombined joint venture properties under construction for the six months ended June 30, 2009.

We continued to generate development, construction and management services revenues and operating expenses in 2010 with respect to the three uncombined joint venture properties that opened in August 2010. Our ability to generate revenues and expenses related to future development and construction projects will depend upon our ability to enter into and provide services to new joint ventures, including our expected joint venture with HSRE through which we expect to develop three properties with completion targeted for the 2011-2012 academic year, as well as our proportionate ownership of any such joint ventures. We intend to commence building four additional student housing properties for our own account upon completion of this offering, which will be included in our consolidated financial statements and will not generate development, construction and management services revenues and operating expenses for us on a consolidated basis.

***General and Administrative***

General and administrative expenses increased from approximately $2.5 million for the six months ended June 30, 2009 to approximately $2.6 million for the six months ended June 30, 2010. This increase was primarily due to increased professional fees for accounting and legal services, partially offset by a decrease in travel related expenses. Approximately $0.5 million of general and administrative expense incurred during the six months ended June 30, 2010 related to audits conducted in 2010 related to prior years. We anticipate that general and administrative expenses will increase in 2010 as compared to prior periods as a result of the incremental costs associated with being a public company.

***Ground Leases***

Ground lease expense remained flat at approximately $0.1 million for the six months ended June 30, 2009 and the six months ended June 30, 2010. We currently are party to ground leases with unaffiliated third parties related to two of our combined properties, Mobile Phase I and Mobile Phase II, both on the campus of the University of South Alabama. We expect ground lease expense to remain relatively flat for the remainder of 2010, unless we enter into additional ground leases with unaffiliated third parties with respect to future development properties.

***Depreciation and Amortization***

Depreciation and amortization expense increased from approximately $9.1 million for the six months ended June 30, 2009 to approximately $9.4 million for the six months ended June 30, 2010. This increase was primarily due to depreciation and amortization related to The Grove at

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Murfreesboro, which opened in 2009. We expect depreciation and amortization to increase in 2010 due to the full year impact of depreciation and amortization for The Grove at Murfreesboro and the inclusion of The Grove at San Marcos in our consolidated results for a part of 2010.

***Equity in Loss of Uncombined Entities***

Equity in loss of uncombined entities, which represents our share of the net loss from uncombined entities in which we have a noncontrolling interest, increased from $0 for the six months ended June 30, 2009 to a loss of approximately $0.2 million for the six months ended June 30, 2010. This increase was primarily due to a loss from our real estate venture with HSRE, which owned four properties that commenced operations in August 2009.

***Nonoperating Income (Expenses)***

*Interest Expense.* Interest expense increased from approximately $7.4 million for the six months ended June 30, 2009 to approximately $10.7 million for the six months ended June 30, 2010. This increase was primarily due to interest expense associated with related party loans, which was $1.4 million for the six months ended June 30, 2010 as compared to $0 for the six months ended June 30, 2009 and $1.2 million of loan extension fees incurred during the six months ended June 30, 2010. Additionally, interest previously capitalized during the six months ended June 30, 2009 related to The Grove at Murfreesboro was expensed during the six month period ended June 30, 2010.

*Change in Fair Value of Interest Rate Derivatives.* Change in fair value of interest rate derivatives decreased from a gain of approximately $2.7 million for the six months ended June 30, 2009 to a gain of approximately $0.2 million for the six months ended June 30, 2010. This decrease was primarily due to monthly net cash settlements paid on interest rate swaps of approximately $2.7 million for the six months ended June 30, 2010 compared to $0.3 million for the six months ended June 30, 2009.

*Other Income/(Expense).* Other expense, net was approximately $0.1 million for the six months ended June 30, 2009 as compared with other income, net of approximately $0.1 million for the six months ended June 30, 2010. Other income increased primarily as a result of slightly higher interest earned on invested cash balances.

***Comparison of Years Ended December 31, 2009 and December 31, 2008***

As of December 31, 2009, our property portfolio consisted of 20 combined properties, containing approximately 3,728 apartment units and 10,024 beds, four operating properties held in uncombined joint ventures, containing approximately 748 apartment units and 2,012 beds, and three properties under construction and held in an uncombined joint venture, containing approximately 572 apartment units and 1,544 beds. In November 2009, we sold The Grove at Milledgeville to HSRE II, an affiliate of HSRE, and we retained an indirect ownership interest of 5%. Since we have the contractual ability and intend to repurchase those ownership interests in The Grove at Milledgeville which we had previously sold, we have not accounted for this transaction as a sale for financial reporting purposes. Accordingly, The Grove at Milledgeville has been combined for the full year ended December 31, 2009.

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The following table presents our results of operations for the years ended December 31, 2009 and 2008, including the amount and percentage change in these results between the periods:

| | Year Ended December 31, 2009 | Year Ended December 31, 2008 | Change ($) | Change (%) |
|---|---|---|---|---|
| | | (in thousands) | | |
| **Revenues:** | | | | |
| Student housing leasing | $ 43,708 | $ 30,813 | $ 12,895 | 41.8% |
| Student housing services | 2,265 | 798 | 1,467 | 183.8% |
| Development, construction and management services | 60,711 | 2,505 | 58,206 | 2,323.6% |
| **Total revenues** | 106,684 | 34,116 | 72,568 | 212.7% |
| **Operating expenses:** | | | | |
| Student housing operations | 23,155 | 14,890 | 8,265 | 55.5% |
| Development, construction and management services | 60,200 | 2,147 | 58,053 | 2,703.9% |
| General and administrative | 5,617 | 5,422 | 195 | 3.6% |
| Ground leases | 264 | 224 | 40 | 17.9% |
| Write-off of pre-development costs | 1,211 | 203 | 1,008 | 496.6% |
| Depreciation and amortization | 18,371 | 13,573 | 4,798 | 35.3% |
| **Total operating expenses** | 108,818 | 36,459 | 72,359 | 198.5% |
| Equity in loss of uncombined entities | (59) | | (59) | N/A |
| **Operating loss** | (2,193) | (2,343) | 150 | (6.4)% |
| **Nonoperating income (expenses):** | | | | |
| Interest expense | (15,871) | (14,946) | (925) | 6.2% |
| Change in fair value of interest rate derivatives | 797 | (8,758) | 9,555 | (109.1)% |
| Other income (expense) | 44 | (50) | 94 | (188.0)% |
| **Total nonoperating expenses** | (15,030) | (23,754) | 8,724 | (36.7)% |
| **Net loss** | (17,223) | (26,097) | 8,874 | (34.0)% |
| Net loss attributable to noncontrolling interest | (10,486) | (870) | (9,616) | 1,105.3% |
| **Net loss attributable to Predecessor** | $ (6,737) | $ (25,227) | $ 18,490 | (73.3)% |

***Student Housing Operations***

Revenues (which include student housing leasing and student housing service revenues) and operating expenses in the student housing operations segment increased by approximately $14.4 million and approximately $8.2 million, respectively, in 2009 as compared to 2008. These increases were primarily due to the inclusion of a full year of operations in 2009 for the nine properties opened in 2008, whereas the 2008 results included only five months of operations for eight of these properties and four months of operations for the remaining property.

*New Property Operations.* In August and September of 2008, we opened nine new properties that were developed by us. These properties contributed approximately $20.5 million of revenues and approximately $10.8 million of operating expenses in 2009 as compared to approximately $7.3 million of revenues and approximately $3.5 million of operating expenses in 2008. The average occupancy at these properties was approximately 84.9% for the five months ended December 31, 2009, as compared to approximately 72.6% for the five months ended December 31, 2008.

In August of 2009, we opened five new properties that were developed by us. As of December 31, 2009, four of these properties were owned by an uncombined joint venture in which we had a 10% ownership interest, while the remaining property, The Grove at Murfreesboro, was reflected in our combined operating results. The Grove at Murfreesboro contributed approximately $1.1 million of revenues and approximately $0.5 million of operating expenses in 2009 as compared to no contribution to revenues and operating expenses in 2008. The other four properties that opened in 2009 are discussed further below under the heading Equity in Loss of Uncombined Entities.

*Same-Store Property Operations.* We had ten properties that were operating for the full year during both 2009 and 2008. These properties contributed approximately $24.3 million of revenues and approximately $11.8 million of operating expenses in 2009 as compared to approximately $24.3 million of revenues and approximately $11.4 million of operating expenses in 2008. Average occupancy at our same-store properties decreased to approximately 86.4% in 2009 as compared to approximately 86.5% in 2008, and average monthly revenue per occupied bed increased to approximately $473 in 2009 as compared to approximately $472 in 2008. The increase in operating expenses was primarily due to increases in marketing, administration, taxes and insurance costs, which were partially offset by decreases in utilities and professional fees.

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

Revenues and operating expenses in the development, construction and management services segment increased by approximately $58.2 million and approximately $58.1 million, respectively, in 2009 as compared to 2008. Our development, construction and management services segment recognizes revenues and operating expenses for development, construction and management services provided to uncombined joint ventures in which we have an ownership interest. We eliminate revenue and related expenses on such transactions with our uncombined joint ventures to the extent of our ownership interest. During 2009, we completed the construction of four properties owned by uncombined joint ventures and also commenced construction of three additional properties owned by uncombined joint ventures, which opened in August 2010. The significant increases in development, construction and management services revenues and operating expenses were primarily due to our development, construction and management activities related to these new properties.

***General and Administrative***

General and administrative expenses increased from approximately $5.4 million in 2008 to approximately $5.6 million in 2009. This increase was primarily due to increased payroll expense partially offset by a decrease in corporate travel and other administrative costs. Approximately $0.2 million of general and administrative expense incurred during the year ended December 31, 2009 related to audits conducted in 2009 related to prior years. We anticipate that general and administrative expenses will increase in 2010 as a result of the incremental costs associated with being a public company.

***Ground Leases***

Ground lease expense increased from approximately $0.2 million in 2008 to approximately $0.3 million in 2009, primarily due to the inclusion of a full year of expense in 2009 for the ground lease with an unaffiliated third party relating to Phase II of our Mobile property, which commenced in 2008.

***Write-off of Pre-Development Costs***

Write-off of pre-development costs increased from approximately $0.2 million in 2008 to approximately $1.2 million in 2009 as a result of events that occurred in 2009 which led management to conclude that several pre-development projects would not result in either the acquisition of a site or commencement of construction.

***Depreciation and Amortization***

Depreciation and amortization increased from approximately $13.6 million in 2008 to approximately $18.4 million in 2009. This increase was primarily due to the inclusion of a full year of depreciation and amortization in 2009 for the nine properties opened in 2008. We expect

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depreciation and amortization to increase in 2010 due to the full year impact of depreciation and amortization for The Grove at Murfreesboro and the inclusion of The Grove at San Marcos in our consolidated results for a part of 2010.

***Equity in Loss of Uncombined Entities***

Equity in loss of uncombined entities, which represents our share of the net loss from our joint ventures in which we have a noncontrolling interest, increased from approximately $0 in 2008 to a loss of approximately $0.1 million in 2009. This increase was primarily due to a loss from our joint venture with HSRE, which owned four properties that commenced operations in 2009.

***Nonoperating Income (Expenses)***

*Interest Expense.* Interest expense increased from approximately $14.9 million in 2008 to approximately $15.9 million in 2009. This increase was primarily due to an increase in the outstanding principal balance on the construction loan related to our 2008 property deliveries, which was partially offset by a decrease in interest rates.

*Change in Fair Value of Interest Rate Derivatives.* Change in fair value of interest rate derivatives increased from a loss of approximately $8.8 million in 2008 to a gain of approximately $0.8 million in 2009. This increase was primarily due to the increase in the fair value, or mark-to-market value, of our interest rate swaps, which was partially offset by higher monthly net cash settlement costs on these instruments in 2009.

*Other Income / (Expense).* Other income, net was approximately $0.1 million in 2009 as compared with other expense, net of approximately $0.1 million in 2008. Other income increased primarily as a result of higher interest income earned on invested cash balances.

***Comparison of Years Ended December 31, 2008 and December 31, 2007***

As of December 31, 2008, our property portfolio consisted of 20 combined properties, containing approximately 3,728 apartment units and 10,024 beds (including one property, The Grove at Murfreesboro, that was under construction), and three properties under construction and held in uncombined joint ventures, containing approximately 576 apartment units and 1,512 beds. These figures exclude The Grove at Lawrence, which commenced construction in early 2009.

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The following table presents our results of operations for the years ended December 31, 2008 and 2007, including the amount and percentage change in these results between the periods:

| | Year Ended December 31, 2008 | Year Ended December 31, 2007 | Change ($) | Change (%) |
|---|---|---|---|---|
| | (in thousands) | | | |
| **Revenues:** | | | | |
| Student housing leasing | $ 30,813 | $ 15,598 | $ 15,215 | 97.5% |
| Student housing services | 798 | 110 | 688 | 625.5% |
| Development, construction and management services | 2,505 | | 2,505 | N/A |
| **Total revenues** | 34,116 | 15,708 | 18,408 | 117.2% |
| **Operating expenses:** | | | | |
| Student housing operations | 14,890 | 7,470 | 7,420 | 99.3% |
| Development, construction and management services | 2,147 | | 2,147 | N/A |
| General and administrative | 5,422 | 3,467 | 1,955 | 56.4% |
| Ground leases | 224 | 40 | 184 | 460.0% |
| Write-off of pre-development costs | 203 | | 203 | N/A |
| Depreciation and amortization | 13,573 | 5,765 | 7,808 | 135.4% |
| **Total operating expenses** | 36,459 | 16,742 | 19,717 | 117.8% |
| **Operating loss** | (2,343) | (1,034) | (1,309) | 126.6% |
| **Nonoperating income (expenses):** | | | | |
| Interest expense | (14,946) | (6,583) | (8,363) | 127.0% |
| Change in fair value of interest rate derivative | (8,758) | (2,115) | (6,643) | 314.1% |
| Other income (expense) | (50) | 100 | (150) | (150.0)% |
| **Total nonoperating expenses** | (23,754) | (8,598) | (15,156) | 176.3% |
| **Net loss** | (26,097) | (9,632) | (16,465) | 170.9% |
| Net loss attributable to noncontrolling interest | (870) | (2,083) | 1,213 | (58.2)% |
| **Net loss attributable to Predecessor** | $ (25,227) | $ (7,549) | $ (17,678) | 234.2% |

***Student Housing Operations***

Revenues (which include student housing leasing and student housing service revenues) and operating expenses in the student housing operations segment increased by approximately $15.9 million and approximately $7.4 million, respectively, in 2008 as compared to 2007. These increases were primarily due to the inclusion of a full year of operations in 2008 for the six properties opened in 2007, whereas the 2007 results included only five months of operations for five of these properties and four months of operations for the remaining property.

*New Property Operations.* In August and September of 2007, we opened six new properties that were developed by us. These properties contributed approximately $14.8 million of revenues and approximately $7.0 million of operating expenses in 2008 as compared to approximately $6.6 million of revenues and approximately $2.6 million of operating expenses in 2007. The average occupancy at these properties was approximately 80.7% for the five months ended December 31, 2008 as compared to approximately 95.7% for the five months ended December 31, 2007.

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In August and September of 2008, we opened nine new properties that were developed by us and reflected in our 2008 combined operating results. These properties contributed approximately $7.3 million of revenues and approximately $3.5 million of operating expenses in 2008 as compared to no contribution to revenues and operating expenses in 2007.

*Same-Store Property Operations.* We had four properties that were operating for the full year during both 2008 and 2007. These properties contributed approximately $9.5 million of revenues and approximately $4.4 million of operating expenses in 2008 as compared to approximately $9.1 million of revenues and approximately $4.8 million of operating expenses in 2007. Average occupancy at our same-store properties decreased to approximately 87.0% in 2008 as compared to approximately 87.9% in 2007, while average monthly revenue per occupied bed increased to approximately $474 in 2008 as compared to approximately $448 in 2007. The decrease in operating expenses was primarily due to decreases in administration and maintenance costs, which were partially offset by increases in utilities costs, taxes and insurance.

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

Revenues and operating expenses in the development, construction and management services segment increased by approximately $2.5 million and approximately $2.1 million, respectively, in 2008 as compared to 2007. Our development, construction and management services segment recognizes revenues and operating expenses for development, construction and management services provided to uncombined joint ventures in which we have an ownership interest. We eliminate revenue and related expenses on such transactions with our uncombined real estate ventures to the extent of our ownership interest. During 2008 and the early part of 2009, we commenced the construction of four properties owned by uncombined joint ventures, which were completed in 2009. The increases in development, construction and management services revenues and operating expenses were primarily due to our development, construction and management activities relating to these new properties. During 2007 we had no material construction and development services revenues or operating expenses related to uncombined joint ventures.

***General and Administrative***

General and administrative expenses increased from $3.5 million in 2007 to approximately $5.4 million in 2008. This increase was primarily due to an increase in payroll, travel and associated overhead expenses related to the increase in the size and scope of our business.

***Ground Leases***

Ground lease expense increased from less than $0.1 million in 2007 to approximately $0.2 million in 2008, primarily due to the new ground lease with an unaffiliated third party executed in 2008 for the land at The Grove at Mobile Phase II.

***Write-off of Pre-Development Costs***

Write-off of pre-development costs increased from $0 in 2007 to approximately $0.2 million in 2008 as a result of events that occurred in 2008 which led management to conclude that several pre-development projects would not result in either the acquisition of a site or commencement of construction.

### *Depreciation and Amortization*

Depreciation and amortization increased from approximately $5.8 million in 2007 to approximately $13.6 million in 2008. This increase was primarily due to the inclusion of a full year of depreciation and amortization in 2008 for the six properties opened in 2007, as well as the inclusion of partial year depreciation and amortization in 2008 for the nine properties that opened in the fall of 2008.

### *Nonoperating Income (Expenses)*

*Interest Expense.* Interest expense increased from approximately $6.6 million in 2007 to approximately $14.9 million in 2008. This increase was primarily due to an increase in the outstanding principal balance on mortgage and construction loans, which was partially offset by a decrease in interest rates throughout 2008.

*Change in Fair Value of Interest Rate Derivatives:* Change in fair value of interest rate derivatives decreased from approximately $(2.1) million in 2007 to approximately $(8.8) million in 2008. This fluctuation was primarily due to the change in the fair value, or mark-to-market value, of our interest rate swaps, due to a decrease in interest rates throughout 2008.

*Other Income / (Expense).* Other income, net was approximately $0.1 million in 2007 as compared with other expense, net of approximately $0.1 million in 2008. Other income decreased in 2008 primarily as a result of lower interest income earned on invested cash balances.

## Cash Flows

### *Comparison of Six Months Ended June 30, 2010 and June 30, 2009*

*Operating Activities*

Net cash provided by operating activities was approximately $2.7 million for the six months ended June 30, 2010 as compared to approximately $2.1 million for the six months ended June 30, 2009, an increase of approximately $0.6 million. Changes in working capital accounts provided approximately $2.3 million for the six months ended June 30, 2010 while approximately $0.9 million was used by working capital accounts for the six months ended June 30, 2009, representing an increase in cash provided of approximately $3.2 million. This change was driven by improvement in the timing of construction cash collections during the six months ended June 30, 2010.

*Investing Activities*

Net cash used in investing activities totaled approximately $2.7 million for the six months ended June 30, 2010 as compared to approximately $12.8 million for the six months ended June 30, 2009, a decrease of approximately $10.1 million. This decrease was primarily due to significantly curtailed development and construction activity related to combined properties in the six months ended June 30, 2010 as compared to the six months ended June 30, 2009. Investing activities in 2009 related primarily to the completed construction of The Grove at Murfreesboro as well as investments in uncombined joint ventures.

*Financing Activities*

Net cash provided by financing activities totaled approximately $0.1 million for the six months ended June 30, 2010 as compared to approximately $5.5 million for the six months ended June 30, 2009, a decrease of approximately $5.4 million. This decrease was primarily due to significantly less development and construction activity related to combined properties and lower

corresponding debt financing activity. Financing activities for the six months ended June 30, 2009 included borrowings to fund the construction of The Grove at Murfreesboro and borrowings to fund other debt repayment.

***Comparison of Years Ended December 31, 2009 and December 31, 2008***

*Operating Activities*

Net cash provided by operating activities was approximately $4.4 million in 2009 as compared to approximately $1.3 million in 2008, an increase of approximately $3.1 million. Changes in working capital accounts provided approximately $2.7 million in 2009 as compared to approximately $4.3 million in 2008, an increased use of approximately $1.6 million. This change was driven by increased investment in our platform infrastructure as a result of the growth in our business from 2008 to 2009.

*Investing Activities*

Net cash used in investing activities totaled approximately $23.6 million in 2009 as compared to approximately $148.4 million in 2008, a decrease of approximately $124.8 million. This decrease was primarily due to significantly curtailed development and construction activity related to combined properties in 2009 as compared to 2008. Investing activities in 2009 related primarily to the completed construction of The Grove at Murfreesboro as well as investments in our joint ventures. Investing activities in 2008 related primarily to the construction activity related to the nine combined properties that were opened in the fall of 2008.

*Financing Activities*

Net cash provided by financing activities totaled approximately $11.1 million in 2009 as compared to approximately $144.8 million in 2008, a decrease of approximately $133.7 million. This decrease was primarily due to significantly less development and construction activity related to combined properties and correspondingly lower debt financing activity. Financing activities in 2009 included borrowings to fund the construction of The Grove at Murfreesboro and borrowings to fund other debt repayment. Financing activities in 2008 included borrowings to fund the construction activity of the nine new properties opened in 2008 and borrowings to repay construction financing on the six properties opened in 2007.

***Comparison of Years Ended December 31, 2008 and December 31, 2007***

*Operating Activities*

Net cash provided by operating activities was approximately $1.3 million in 2008 as compared to approximately $1.2 million used in operating activities in 2007, representing an increase in cash provided of approximately $2.5 million. Changes in working capital accounts provided approximately $4.3 million in 2008 while approximately $0.7 million was used by working capital accounts in 2007, representing an increase in cash provided of approximately $5.0 million. This change was primarily due to the increase in the number of operating properties in 2008 as compared to 2007.

*Investing Activities*

Net cash used in investing activities totaled approximately $148.4 million in 2008 as compared to approximately $113.0 million in 2007, an increase of approximately $35.4 million. This increase was primarily due to increased development and construction activity in 2008 as compared to 2007. Investing activities in 2008 related primarily to the completed construction of the nine combined

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properties that were opened in the fall of 2008. Investing activities in 2007 related primarily to the completed construction of the six combined properties that were opened in 2007 as well as the commencement of construction on the nine combined properties that were opened in 2008.

*Financing Activities*

Net cash provided by financing activities totaled approximately $144.8 million in 2008 as compared to approximately $126.1 million in 2007, an increase of approximately $18.7 million. This increase was primarily due to increased development and construction activity and correspondingly higher debt financing activity. Financing activities in 2008 included borrowings to fund the completed construction of the nine new properties opened in the fall of 2008 and borrowings to repay construction financing on the six properties opened in the fall of 2007. Financing activities in 2007 included borrowings to fund the construction of six new properties opened in the fall of 2007 and borrowings to fund the commencement of construction on the nine new properties opened in the fall of 2008.

**Liquidity and Capital Resources**

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

- our income may not be matched by our related expenses at the time the income is considered received for purposes of determining taxable income; and

- non-deductible capital expenditures, creation of reserves or debt service requirements may reduce available cash but not taxable income.

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

Upon completion of this offering, the application of the net proceeds therefrom and our formation transactions, we will have approximately $100.4 million of total consolidated indebtedness (which does not include any indebtedness we may incur in connection with any future distributions or any other unanticipated borrowings under our revolving credit facility), representing an initial debt to total market capitalization ratio of approximately 20.0% based on the mid-point of the price range set forth on the cover page of this prospectus. We define our debt to total market capitalization ratio as our total outstanding consolidated indebtedness divided by the sum of the market value of our outstanding common stock and preferred stock (which may decrease, thereby increasing our debt to total market capitalization ratio), including shares of restricted stock or restricted stock units that we may issue to our officers and directors under our 2010 Incentive Award Plan, plus the aggregate value of OP units, plus the book value of our total

consolidated indebtedness (excluding indebtedness encumbering our current and future joint venture properties). As of June 30, 2010, on a pro forma basis, our pro rata share of indebtedness encumbering properties held in unconsolidated joint ventures was approximately $38.7 million.

***Principal Capital Resources***

We have entered into a credit agreement with Citibank, N.A. and certain other parties thereto relating to a three-year, $125 million senior secured revolving credit facility, which will become effective immediately upon completion of this offering and satisfaction of customary loan closing conditions. This facility will be secured by 12 of our properties. Affiliates of Citigroup Global Markets Inc. will 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) will act as lenders under our revolving credit facility. We expect to use approximately $39.6 million borrowed under our revolving credit facility, together with a portion of the net proceeds from this offering, to repay in full our mortgage loan with Silverton Bank that is currently secured by six of our properties. In addition, we expect to use approximately $1.6 million of our revolving credit facility to issue letters of credit relating to indebtedness secured by The Grove at Carrollton, The Grove at Mobile Phase II and The Grove at Las Cruces. Upon completion of this offering and giving effect to the foregoing uses and our expected borrowing base, we expect to have approximately $61.2 million of borrowing capacity available under our revolving credit facility. Amounts drawn under our revolving credit facility immediately upon completion of this offering will reduce the amount that we can borrow under this facility for other purposes. We also intend to use this facility for general corporate purposes and to finance, among other things, future growth opportunities, including the seven properties that we expect to commence building upon completion of this offering, four of which are expected to be wholly-owned by us and three of which are expected to be owned by a new joint venture that we expect to establish with HSRE and in which we expect to own a 20% interest.

The amount available for us to borrow under the facility will be based on a percentage of the appraisal value of our properties that form the borrowing base of the facility. Upon completion of this offering, we expect to be able to borrow up to approximately $102.4 million of the $125 million of commitments under the facility. We will use approximately $39.6 million borrowed under our revolving credit facility, together with a portion of the net proceeds from this offering, to repay in full our mortgage loan with Silverton Bank that is secured by six of our properties. In addition, we will issue letters of credit with an aggregate amount of approximately $1.6 million relating to indebtedness secured by The Grove at Carrollton, The Grove at Mobile Phase II and The Grove at Las Cruces. Giving effect to the foregoing, we will have approximately $61.2 million of borrowing capacity under our revolving credit facility. We intend to pursue alternative, longer-term financing for some or all of the properties currently securing our mortgage loan with Silverton Bank when they are released from the lien of the mortgage in connection with our formation transactions. For eligible properties, this may include debt financing provided by Freddie Mac or Fannie Mae. Additionally, the facility will have 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 will 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 will depend upon our leverage ratio and will range from 2.75% to 3.50% for Eurodollar Rate based borrowings and from 1.75% to 2.50% for Base Rate based borrowings.

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Our ability to borrow under our revolving credit facility will be 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 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 expect that we and certain of our subsidiaries will guarantee the obligations under our revolving credit facility and that we and certain of our subsidiaries will pledge specified assets (including real property), stock and other interests as collateral for our revolving credit facility obligations.

The commitments from the lenders are subject to closing conditions that are expected to include, among other things, satisfactory review by lenders of appraisals, environmental reports, engineering reports, other company- and property-level diligence, successful completion of this offering, absence of material adverse changes, payment of fees, and the negotiation, execution and delivery of definitive documentation satisfactory to Citibank, N.A. and the other lenders. Although we currently expect to meet these requirements, there can be no assurance that all of the closing conditions will be satisfied.

The foregoing is only a summary of the material terms of our revolving credit facility that will become effective immediately upon completion of this offering and satisfaction of customary loan closing conditions. For more information, see the credit agreement, which is filed as an exhibit to the registration statement of which this prospectus constitutes a part.

In addition to borrowings under our revolving credit facility, we may also use non-recourse mortgage financing to make acquisitions or refinance short-term borrowings under our revolving credit facility. We may also seek to raise additional capital through the issuance of our common stock, preferred stock, OP units and debt or other securities or through property dispositions or joint venture transactions. Any debt incurred or issued by us may be secured or unsecured, long-term or short-term, fixed or variable interest rate and may be subject to such other terms as we deem prudent. Our ability to access the lending and capital markets will be dependent on a number of factors, including general market conditions for REITs, our historical and anticipated financial condition, liquidity, results of operations and FFO and market perceptions about us and our competitors.

We derive the majority of our cash flow from operations from student-tenants who lease beds from us at our properties. Therefore, our ability to generate cash flow from operations is dependent on the rents that we are able to charge and collect from our tenants. General economic downturns or downturns in the markets in which we own properties may adversely affect the

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ability of our student-tenants to meet their lease obligations to us. In that event, our cash flow from operations could be materially and adversely affected.

***Short-Term Liquidity Needs***

The nature of our business, coupled with the requirement imposed by REIT rules that we distribute a substantial majority of our REIT taxable income on an annual basis in order for us to qualify as a REIT, will cause us to have substantial liquidity needs. Our short-term liquidity needs consist primarily of funds necessary to pay operating expenses associated with our properties, recurring capital expenditures, development costs, interest expense, scheduled debt service payments and expected distribution payments (including distributions to persons who hold OP units). We expect to meet our short-term liquidity needs through cash flow from operations and, to the extent necessary, borrowings under our revolving credit facility. Assuming completion of this offering and the application of the net proceeds therefrom, we expect that cash flow from operations and borrowings under our anticipated revolving credit facility will be sufficient to meet our liquidity requirements for at least the next 12 months. In the event that we do not complete this offering, we would likely reduce our capital expenditures and development plans and pursue alternative financing arrangements, that may include selling operating properties, as necessary in order to meet our cash requirements for the next 12 months.

***Recurring Capital Expenditures***

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

Our historical recurring capital expenditures at our combined properties are set forth below:

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| Total Beds as of January 1 (1) | 9,520 | 4,966 | 1,924 |
| Total Recurring Capital Expenditures | $ 183,513 | $ 261,048 | $ 134,877 |
| Average Per Bed | $ 19 | $ 53 | $ 70 |

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

In 2007, we had four properties with 1,924 beds and an average age of approximately 0.6 years, excluding properties which commenced operation in that year, that required maintenance capital expenditures. Such expenditures included large scale furniture replacements in common areas associated with an updated layout at two properties. In 2008, we had ten properties with 4,966 beds and an average age of approximately 0.9 years, excluding properties which commenced operation in that year, that required maintenance capital expenditures. Such expenditures included furniture, fitness equipment, landscaping and a major ADA-related renovation at one of our properties which we have included as a maintenance capital expenditure because this amount was not part of the initial construction budget for this property and is not considered revenue enhancing. In 2009, we had 19 properties with 9,520 beds and an average age of approximately 1.2 years, excluding properties which commenced operation in that year, that required maintenance capital expenditures. Such expenditures included furniture replacement.

Upon completion of this offering and our formation transactions, we will have 27 properties with 13,580 beds. We estimate that we will incur approximately $35.31 of maintenance capital expenditures per bed during 2010 at our combined properties. Such expenditures are estimated to be primarily for furniture replacement. The differential in per bed recurring maintenance capital expenditures from 2007 through our 2010 estimate is a function of the uneven nature of the timing of such expenditures and the amplified effects of these costs over a smaller base of beds historically.

Additionally, we are contractually required to fund reserves for capital repairs at certain mortgaged properties. In particular, our indebtedness relating to our Asheville property requires us to fund a monthly reserve of $5,000 for capital repairs and our indebtedness relating to our Carrollton, Las Cruces and Milledgeville properties requires us to fund a monthly reserve of $5,125 per property for capital repairs. Indebtedness relating to our Conway property, in which we will own a 49.9% interest, requires a monthly reserve of $4,167 for capital repairs, subject to a maximum reserve of $150,000.

***Development Expenditures***

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

We expect that, subject to completion of this offering, we will commence building seven new student housing properties, four of which are expected to be wholly-owned by us and three of which are expected to be owned by a new joint venture that we expect to establish with HSRE and in which we expect to own a 20% interest. We are currently targeting completion of these seven properties for the 2011-2012 academic year. For each of these projects, we have conducted significant pre-development activities and are in the process of obtaining the necessary zoning and site plan approvals. We estimate that the cost to complete all four wholly-owned properties will be approximately $87.9 million. Additionally, we will be obligated to fund our pro rata portion of the development costs of our expected joint venture with HSRE, and we estimate that the cost to complete the three joint venture properties will be approximately $70.3 million and our pro rata share will be approximately $14.1 million. No assurance can be given that we will complete construction of these seven properties in accordance with our current expectations (including the estimated cost thereof). We expect to finance the construction of these seven properties through borrowings under our revolving credit facility, new project-specific construction indebtedness and contributions from HSRE. However, we may not be able to obtain financing on terms acceptable to us.

***Long-Term Liquidity Needs***

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

sources of capital to fund our long-term liquidity requirements, but, as a new public company, we cannot make any assurance that this will be the case, especially in difficult market conditions. In addition, pursuant to the tax protection agreement, we have agreed not to sell, exchange or otherwise dispose of nine of our properties for a period of ten years. This could impair our liquidity and operating flexibility if sales of such properties were necessary to generate capital or otherwise. See Certain Relationships and Related Party Transactions Tax Protection Agreement for a further discussion of this agreement.

We have identified over 200 markets and approximately 80 specific sites within these markets as potential future development opportunities, and our current business plan contemplates the development of approximately five to seven new student housing properties per year. No assurance can be given that we will not adjust our business plan as it relates to development, or that any particular development opportunity will be undertaken or completed in accordance with our current expectations.

***Commitments***

The following table summarizes amounts due as of December 31, 2009, in connection with the contractual obligations described below (including future interest payments):

| Contractual Obligations | Total | Less than 1 Year | 1-3 Years | 3-5 Years | More than 5 Years |
|---|---|---|---|---|---|
| | | | (in thousands) | | |
| Long-Term Debt Obligations (1) | $ 343,172 | $ 172,315 | $ 6,744 | $ 105,547 | $ 58,566 |
| Operating Lease Obligations | 11,279 | 457 | 1,006 | 1,128 | 8,688 |
| Purchase Obligations (2) | 21,520 | 21,520 | | | |
| Other Long-Term Liabilities | 6,049 | 4,424 | 1,625 | | |
| **Total** | $ 382,020 | $ 198,716 | $ 9,375 | $ 106,675 | $ 67,254 |

(1) We have executed an agreement with a lender to extend the maturity date of approximately $148.4 million of these obligations to January 31, 2011.

(2) Obligations relate to subcontracts executed by Campus Crest Construction, LLC, to complete projects under construction at December 31, 2009.

***Long-Term Indebtedness to Be Outstanding Following this Offering***

Upon completion of this offering and our formation transactions, we will have total consolidated indebtedness of approximately $100.4 million. The following table summarizes our consolidated indebtedness to be outstanding following the completion of this offering and our formation transactions.

| | Total (in thousands) |
|---|---|
| 2010 | $ |

| | | |
|---|---|---|
| 2011 | | 85 |
| 2012 | | 643 |
| 2013 | | 40,349 |
| 2014 | | 797 |
| Thereafter | | 58,566 |
| Total | $ | 100,440 |

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The following table sets forth the information about our consolidated indebtedness to be outstanding following the completion of this offering, the use of the net proceeds therefrom and our formation transactions:

| Property | Principal Outstanding as of June 30, 2010 (in thousands) | Maturity Date | Interest Rate as of June 30, 2010 | Amortization |
|---|---|---|---|---|
| Revolving Credit Facility | $ 39,600(1) | (2) | (1) | Interest only |
| The Grove at Asheville (3)(4) | 14,800 | 4/11/2017 | 5.77% | Interest only until April 11, 2012, then 30 year amortizing |
| The Grove at Carrollton (3)(4)(5) | 14,650 | 10/11/2016 | 6.13% | Interest only until October 11, 2011, then 30 year amortizing |
| The Grove at Las Cruces (3)(4)(5) | 15,140 | 10/11/2016 | 6.13% | Interest only until October 11, 2011, then 30 year amortizing |
| The Grove at Milledgeville (4)(6) | 16,250 | 10/1/2016 | 6.12% | Interest only until October 11, 2011, then 30 year amortizing |
| **Total** | **$ 100,440** | | | |

(1) We expect to borrow approximately $39.6 million under our revolving credit facility immediately upon completion of this offering; this amount will 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 will depend upon our leverage ratio and will range from 2.75% to 3.50% for Eurodollar Rate based borrowings and from 1.75% to 2.50% for Base Rate based borrowings.

(2) Amounts outstanding under our revolving credit facility will be due on the third anniversary of the completion of this offering.

(3) Wachovia Bank as lender.

(4) No financial covenants.

(5) We expect to issue letters of credit with an aggregate amount of approximately $1.6 million relating to indebtedness secured by The Grove at Carrollton, The Grove at Mobile Phase II and The Grove at Las Cruces.

(6) GE Capital as lender.

Following this offering, the pro forma weighted average annual interest rate on our total long-term indebtedness as of June 30, 2010 will be approximately 4.90%, and all of our outstanding indebtedness will be fixed rate except for any borrowings under our revolving credit facility. After completion of this offering and our formation transactions, and based upon an offering price of our common stock equal to the mid-point of the price range set forth on the cover page of this prospectus, our ratio of debt to total market capitalization will be approximately 20.0% (18.0% if the underwriters over-allotment option is exercised in full), excluding indebtedness encumbering our current and future joint venture properties. However, we expect to incur additional indebtedness, consistent with our financing policy, in connection with our development activities following this offering. For further information concerning our long-term indebtedness, see Policies with Respect to Certain Activities Financing Policies.

***Consents or Waivers Under our Loan Documents***

At June 30, 2010, March 31, 2010 and December 31, 2009, we were not in compliance with covenants relating to (a) unresolved liens and claims for materials or labor, and (b) debt service coverage under the Wachovia Bank Nine Property Construction Loan (which is 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). On May 7, 2010, we received a commitment (i) allowing us until August 31, 2010 to bond over and/or cause to be released all remaining unresolved liens, (ii) waiving our non-compliance with the debt service coverage covenant as of December 31, 2009 and March 31, 2010 and substituting a debt yield covenant in lieu of a debt service covenant and (iii) committing to extend the maturity of the construction loan to January 31, 2011. On August 16, 2010, we entered into an agreement, the execution of which memorializes the terms and conditions of the May 7, 2010 commitment, as extended from time to time, including a waiver of non-compliance with the debt service coverage covenant as of June 30, 2010. On August 31, 2010, we entered into an agreement allowing us until October 31, 2010 to bond over and/or cause all remaining unresolved liens to be released. We intend to repay the indebtedness under this credit facility in full with a portion of the net proceeds from this offering.

At December 31, 2009, we were not in compliance with the covenant relating to unresolved liens and claims for materials or labor under the Wachovia Bank Three Property Construction Loan (which is secured by The Grove at Moscow, The Grove at San Angelo and The Grove at San Marcos). On May 12, 2010, the lender under this construction loan acknowledged and consented to our proposal for the satisfaction of the liens and claims with a portion of the net proceeds from this offering, and waived our non-compliance with the covenant. On August 31, 2010, we entered into an agreement allowing us until October 31, 2010 to satisfy the liens and claims with a portion of the net proceeds from this offering.

We were not in compliance with covenants under the Silverton Bank Mortgage Loan (which is 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) for the borrowing quarters ended October 31, 2009, January 31, 2010 and April 30, 2010 as a result of non-compliance with the debt service coverage covenant and debt yield percentage covenant set forth in the loan documents. Additionally, based on current operating projections, we do not expect to satisfy either covenant through the end of 2010. On April 9, 2010, we received a waiver of non-compliance with these covenants from the lender under this mortgage loan for the borrowing quarters ended October 31, 2009 and January 31, 2010. On May 13, 2010, we received a waiver of non-compliance with the covenants from the lender under this mortgage loan for the borrowing quarter ended April 30, 2010. We have also obtained a waiver of non-compliance for the borrowing quarters ended July 31, 2010 and a forward waiver of non-compliance for the borrowing quarters ending October 31, 2010 and January 31, 2011. We intend to repay the indebtedness under this credit facility in full with a portion of the net proceeds of this offering and borrowings under our revolving credit facility.

Upon completion of this offering and the application of a portion of the net proceeds therefrom to reduce outstanding indebtedness, as described above, we expect to be in compliance with all applicable debt covenants. However, if we do not complete this offering we would need to access alternative capital resources, and there is no assurance that we would be successful in doing so. An inability to refinance maturing indebtedness or obtain alternative financing would have a material adverse affect on our business and financial condition.

## Off-Balance Sheet Arrangements

### *HSRE Joint Venture*

We use joint venture arrangements to finance certain of our properties. As discussed above, we have entered into two joint venture arrangements with HSRE. On March 26, 2010, we entered into an agreement for the formation of a third joint venture arrangement with HSRE that is contingent upon the receipt of certain lender consents. Upon completion of this offering and our formation transactions, we will be party only to one of the foregoing joint venture arrangements relating to six properties, in which we will own a 49.9% interest and which will be accounted for as an investment in an unconsolidated joint venture. Additionally, we expect to establish a new joint venture with HSRE, in which we expect to own a 20% interest that will build three student housing properties with completion targeted for the 2011-2012 academic year. As of June 30, 2010, on a pro forma basis, our pro rata share of indebtedness encumbering properties held in the unconsolidated entity in which we own a 49.9% interest was approximately $38.7 million.

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### Funds From Operations (FFO)

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

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

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

The following table presents a reconciliation of our FFO to our net loss for the six months ended June 30, 2010 and 2009 and years ended December 31, 2009, 2008 and 2007:

| | **Pro Forma Campus Crest Communities, Inc.** | | **Historical Campus Crest Communities Predecessor** | | |
|---|---|---|---|---|---|
| | **Six Months Ended June 30, 2010** | **Year Ended December 31, 2009** | **Six Months Ended June 30,** | | **Year Ended December 31,** |
| | | | **2010** | **2009** | |