Campus Crest Communities, Inc.
Form 10-Q
July 24, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2015

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from__________to

Commission file number: 001-34872

CAMPUS CREST COMMUNITIES, INC.

(Exact name of registrant as specified in its charter)

Maryland	**27-2481988**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2100 Rexford Road, Suite 414, Charlotte, NC	**28211**

(Address of principal executive offices) (Zip Code)

(704) 496-2500

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

Yes ¨ No x

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes x No ¨

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.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No x

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

Class	Outstanding at July 21, 2015
Common Stock, $0.01 par value per share	64,782,007 shares

CAMPUS CREST COMMUNITIES, INC.

FORM 10-Q

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CAMPUS CREST COMMUNITIES, INC.

CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

(Unaudited)

	March 31, 2015	December 31, 2014
ASSETS		
Investment in real estate, net:		
Student housing properties ($32,875 related to VIE as of December 31, 2014)	$ 1,506,297	$ 935,962
Accumulated depreciation (($318) related to VIE as of December 31, 2014)	(138,830)	(128,121)
Land and property held for sale	13,588	37,163
Land held for investment	7,413	7,413
Investment in real estate, net	1,388,468	852,417
Investment in unconsolidated entities	93,783	259,740
Cash and cash equivalents ($670 related to VIE as of December 31, 2014)	35,260	15,240
Restricted cash	8,045	5,429
Student receivables, net of allowance for doubtful accounts of $1,191 and $459, respectively ($36, net of allowance of $9 related to VIE as of December 31, 2014)	2,857	1,587
Cost and earnings in excess of construction billings	618	3,887
Intangible assets, net	21,030	-
Other assets ($236 related to VIE as of December 31, 2014)	34,150	35,742
Total assets	$ 1,584,211	$ 1,174,042
LIABILITIES AND EQUITY		
Liabilities:		
Mortgage and construction loans ($21,170 related to VIE as of December 31, 2014)	$ 566,495	$ 300,673
Line of credit and other debt	367,976	317,746
Accounts payable and accrued expenses ($534 related to VIE as of December 31, 2014)	36,562	53,816
Construction billings in excess of cost and earnings	-	481
Other liabilities ($607 related to VIE as of December 31, 2014)	47,071	22,092
Total liabilities	1,018,104	694,808
Commitments and contingencies		
Equity:		
	61	61

Preferred stock, $0.01 par value, 50,000,000 shares authorized: 8.00% Series A Cumulative Redeemable Preferred Stock (liquidation preference $25.00 per share), 6,100,000 shares issued and outstanding at March 31, 2015 and December 31, 2014		
Common stock, $0.01 par value, 500,000,000 and 500,000,000 shares authorized, 64,720,361 and 64,742,713 shares issued and outstanding at March 31, 2015 and December 31, 2014, respectively	648	648
Additional common and preferred paid-in capital	780,665	773,998
Accumulated deficit and distributions	(288,726)	(301,566)
Accumulated other comprehensive loss	(3,174)	(2,616)
Total Campus Crest Communities, Inc. stockholders' equity	489,474	470,525
Noncontrolling interests	76,633	8,709
Total equity	566,107	479,234
Total liabilities and equity	$ 1,584,211	$ 1,174,042

See accompanying notes to consolidated financial statements.

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CAMPUS CREST COMMUNITIES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

AND COMPREHENSIVE INCOME (LOSS)
(In thousands, except per share data)
(Unaudited)

	Three Months Ended March 31, 2015	2014
Revenues:		
Student housing rental	$ 38,790	$ 23,635
Student housing services	1,310	973
Property management services	229	103
Total revenues	40,329	24,711
Operating expenses:		
Student housing operations	17,204	10,613
General and administrative	8,038	3,506
Severance	508	-
Write-off of other assets	769	-
Transaction costs	1,492	585
Ground leases	120	117
Depreciation and amortization	19,756	6,980
Total operating expenses	47,887	21,801
Equity in earnings (losses) of unconsolidated entities	(2,149)	319
Operating income (loss)	(9,707)	3,229
Nonoperating income (expense):		
Interest expense, net	(7,788)	(3,376)
Gain on purchase of Copper Beech	21,642	-
Gain on sale of land and unconsolidated entities	7,748	-
Other income (expense)	(55)	66
Total nonoperating income (expense), net	21,547	(3,310)
Net income (loss) before income tax benefit	11,840	(81)
Income tax benefit	-	190
Income from continuing operations	11,840	109
Income (loss) from discontinued operations	(1,157)	939
Net income	10,683	1,048
Net loss attributable to noncontrolling interests	(2,157)	(15)
Dividends on preferred stock	3,050	3,050
Net income (loss) attributable to common stockholders	$ 9,790	$ (1,987)
Per share data - basic		
Income (loss) from continuing operations attributable to common stockholders	$ 0.17	$ (0.04)
(Loss) Income from discontinued operations attributable to common shareholders	(0.02)	0.01

Net income (loss) per share attributable to common stockholders	$ 0.15	$ (0.03)
Per share data - diluted		
Income (loss) from continuing operations attributable to common stockholders	$ 0.15	$ (0.04)
Income (loss) from discontinued operations attributable to common shareholders	(0.01)	0.01
Net income (loss) per share attributable to common stockholders	$ 0.14	$ (0.03)
Weighted-average common shares outstanding:		
Basic	64,720	64,495
Diluted	78,686	64,929

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CAMPUS CREST COMMUNITIES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

AND COMPREHENSIVE INCOME (LOSS) (CONTINUED)

(In thousands, except per share data)

(Unaudited)

	Three Months Ended March 31,	
	2015	2014
Consolidated statements of comprehensive income (loss):		
Net income	$ 10,683	$ 1,048
Foreign currency translation	(651)	(992)
Comprehensive income	10,032	56
Net income (loss) attributable to noncontrolling interests	(2,157)	(15)
Foreign currency translation attributable to noncontrolling interest	(93)	7
Dividends on preferred stock	3,050	3,050
Comprehensive income (loss) attributable to common stockholders	$ 9,232	$ (2,986)

See accompanying notes to consolidated financial statements.

CAMPUS CREST COMMUNITIES, INC.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(In thousands)

(Unaudited)

	Series A Cumulative Redeemable Preferred Stock	Common Stock	Additional Common and Preferred Paid-in Capital	Accumulated Deficit and Distributions	Accumulated Other Comprehensive Loss	Total Stockholders Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2014	$ 61	$ 648	$ 773,998	$ (301,566)	$ (2,616)	$ 470,525	$ 8,709	$ 479,234
Amortization of restricted stock awards and operating partnership units	-	-	1,014	-	-	1,014	-	1,014
Foreign currency translation	-	-	-	-	(558)	(558)	(93)	(651)
Non-controlling interest in Copper Beech at Ames	-	-	5,653	-	-	5,653	(5,653)	-
Non-controlling interest -OP units	-	-	-	-	-	-	71,344	71,344
Non-controlling interest -CBTC 8 and 9	-	-	-	-	-	-	4,483	4,483
Net income (loss)	-	-	-	12,840	-	12,840	(2,157)	10,683
Balance at March 31, 2015	$ 61	$ 648	$ 780,665	$ (288,726)	$ (3,174)	$ 489,474	$ 76,633	$ 566,107

See accompanying notes to consolidated financial statements.

CAMPUS CREST COMMUNITIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Three Months Ended March 31, 2015	2014
Operating activities:		
Net income	$ 10,683	$ 1,048
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	19,756	6,980
Amortization of fair value of debt adjustments	(1,015)	-
Write-off of other assets	769	-
Amortization of deferred financing costs and debt discount	788	665
Gain on sale of land and unconsolidated entities	(7,748)	-
Loss on disposal of assets	7	-
Proceeds received for business interruption insurance	-	725
Provision for bad debts	741	403
Gain on purchase of Copper Beech	(21,642)	-
Equity in (earnings) losses of unconsolidated entities	2,149	(319)
Distributions of earnings from unconsolidated entities	360	-
Share based compensation expense	1,014	677
Changes in operating assets and liabilities:		
Restricted cash	(283)	(216)
Student receivables	(830)	(396)
Construction billings	2,788	1,730
Accounts payable and accrued expenses	(2,925)	(6,657)
Other	7,917	(2,356)
Net cash provided by operating activities	12,529	2,284
Investing activities:		
Investments in developed properties	(12,587)	(29,016)
Proceeds received from sales of land	28,334	-
Insurance proceeds received for damaged assets	375	590
Investments in student housing properties	(1,339)	(1,295)
Acquisition of Copper Beech, net of cash acquired of $5,074	(53,814)	-
Investments in unconsolidated entities	(1,199)	(41,382)
Acquisition of previously unconsolidated entities	-	(7,661)
Proceeds received from sales of previously unconsolidated entities	978	-
Capital distributions from unconsolidated entities	154	4,333
Corporate capital expenditures	(647)	(1,912)
Proceeds received from the sale of corporate aircraft	3,811	-
Change in restricted cash	442	12,084

Net cash used in investing activities	(35,492)	(64,259)
Financing activities:		
Proceeds from mortgage and construction loans	23,825	2,001
Repayments of mortgage and construction loans	(16,559)	(608)
Proceeds from line of credit and other debt	46,000	72,500
Repayments of line of credit and other debt	(154)	(15,300)
Debt issuance costs	(1,213)	(575)
Dividends paid to common stockholders	(5,830)	(10,643)
Dividends paid to preferred stockholders	(3,050)	(3,050)
Dividends paid to noncontrolling interest	(36)	(72)
Net cash provided by financing activities	42,983	44,253
Net change in cash and cash equivalents	20,020	(17,722)
Cash and cash equivalents at beginning of period	15,240	32,054
Cash and cash equivalents at end of period	$ 35,260	$ 14,332

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CAMPUS CREST COMMUNITIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(In thousands)

(Unaudited)

	Three Months Ended March 31, 2015	2014
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amounts capitalized	$ 9,336	$ 3,357
Cash paid for income taxes	-	376
Non-cash investing and financing activity:		
Common and preferred stock dividends declared but not paid	-	13,763
Assumption of mortgage, construction loans and other debt related to purchase of previously unconsolidated entities	263,786	16,822
Change in non-controlling interests resulting from ownership change in Copper Beech at Ames	5,653	-
Change in receivables related to sales of previously unconsolidated entities	1,256	-
Change in insurance proceeds receivable related to damaged assets	(375)	181
Accounts payable related to capital expenditures	66	9,112
Increase in other assets and other liabilities for fair value of guarantee obligation and corresponding indemnity related to CBTC 23	3,950	-
Share-based compensation capitalized to development in process	-	383
The Company acquired substantially all of the remaining ownership in certain Copper Beech properties for approximately $53.8 million		
In conjunction with the acquisition liabilities assumed were as follows:		
Fair value of assets acquired, net of cash acquired of $5,074	$ 597,961	$ -
Cash paid, net of cash acquired of $5,074	(53,814)	-
Change in non-controlling interests resulting from ownership change	(75,827)	-
Company's ownership interest prior to the acquisition	(167,208)	-
Gain recognized on transaction	(21,642)	-
Deferred gain	(6,306)	-
Liabilities assumed	273,164	-
The Company acquired the remaining ownership in HSRE IV for approximately $7.7 million		
In conjunction with the acquisition liabilities assumed were as follows:		
Fair value of assets acquired	$ -	$ 26,854
Cash paid for 80% interest	-	(7,661)
Company's ownership interest prior to the acquisition	-	(1,915)
Liabilities assumed	-	17,278

See accompanying notes to consolidated financial statements.

CAMPUS CREST COMMUNITIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Organization and Description of Business

Campus Crest Communities, Inc., together with its subsidiaries, referred to herein as the “Company,” and “Campus Crest,” is a self-managed and self-administered real estate investment trust (“REIT”) focused on owning and managing a high-quality student housing portfolio located close to college campuses. The Company currently owns the sole general partner interest and owns limited partner interests in Campus Crest Communities Operating Partnership, LP (the “Operating Partnership”). The Company holds substantially all of its assets, and conducts substantially all of its business, through the Operating Partnership.

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

The Company has made the election to treat Campus Crest TRS Holdings, Inc. ("TRS Holdings"), its wholly-owned subsidiary, as a taxable REIT subsidiary (“TRS”). TRS Holdings holds the development, construction and management companies (see Note 4 regarding the discontinuation of operations of the Company’s development and construction services companies) that provide services to entities in which the Company does not own 100% of the equity interests. As a TRS, the operations of TRS Holdings and its subsidiaries are generally subject to federal, state and local income and franchise taxes.

As of March 31, 2015, the Company has ownership interests in 44 operating student housing Grove properties containing approximately 9,000 apartment units and 24,700 beds. Thirty-six of the Company’s operating Grove properties are wholly-owned and eight of the Company’s operating Grove properties are owned through joint ventures with Harrison Street Real Estate Capital ("HSRE"). Additionally, the Company holds ownership interests in three evo® properties as joint ventures containing approximately 1,500 units and 3,000 beds, one with HSRE and Brandywine Realty Trust ("Brandywine"), and two with Beaumont Partners SA (“Beaumont”). The Company also has one wholly owned redevelopment property containing approximately 170 units and 340 beds. As of March 31, 2015, the Company held a 100% interest in 26 Copper Beech operating properties with approximately 3,700 units and 10,500 beds and varying ownership interests in 9 operating properties with approximately 2,400 units and 6,000 beds.

	Properties in Operation
Wholly owned Grove properties	36
Joint Venture Grove properties	8
Total Grove Properties	44
Joint Venture evo properties	3
Wholly owned Copper Beech properties	26
Joint Venture owned Copper Beech properties(1)	9
Total Copper Beech properties	35
Total Portfolio(2)	82

(1) The Company holds a 48% ownership interest in 7 unconsolidated properties, as well as an 84% interest in one property and an 85% interest in one property, both of which are consolidated. See Notes 6 and 18 for additional information.

(2) The Company's 100% owned redevelopment property in Toledo, Ohio, which was acquired in March 2013 is excluded. As of December 31, 2014 and March 31, 2015, this property was classified as held for sale.

Subsequent to March 31, 2015, the Company engaged in additional transactions related to the remaining interest in the Copper Beech Portfolio (see Note 18).

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements, presented in U.S. dollars, have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and represent the Company's financial position, results of operations and cash flows. Equity interests owned by others in the Operating Partnership and two consolidated Copper Beech entities are reflected as non-controlling interests in the consolidated financial statements. The Company also has interests in unconsolidated real estate ventures which have ownership in several property owning entities that are accounted for under the equity method. All significant intercompany balances and transactions have been eliminated. Certain prior period amounts have been reclassified to conform to the current period presentation, primarily related to discontinued operations discussed in Note 7.

CAMPUS CREST COMMUNITIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The unaudited interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes for the year ended December 31, 2014 included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014 filed with the Securities and Exchange Commission. The results of operations and cash flows for any interim period are not necessarily indicative of results for other interim periods or the full year.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant assumptions and estimates are used by management in recognizing construction and development revenue (which is included in income (loss) from discontinued operations) under the percentage of completion method, useful lives of student housing properties, valuation of investment in real estate and investments in unconsolidated entities and land and properties held for sale, valuation allowance on deferred tax assets, initial valuations used in the accounting for newly acquired student housing properties and the Copper Beech entities and trade name, fair value of guarantee obligations related to unconsolidated entities, issuance proceeds receivable from damaged assets, determination of fair value for impairment assessments, and fair value of financial assets and liabilities, including derivatives and allowance for doubtful accounts. Actual results could differ from those estimates and such differences may be material to the consolidated financial statements. Estimates and assumptions are reviewed periodically and the effect of such revisions are reflected prospectively in the period in which they occur.

Consolidated Variable Interest Entity

During the year ended December 31, 2013, the Company entered into a variable interest entity ("VIE") with Copper Beech Townhome Communities, LLC ("CBTC") to develop, construct and manage a student housing property in Ames, Iowa ("Copper Beech at Ames"). The property began operations during the third quarter of 2014. The Company concluded that it is the primary beneficiary of Copper Beech at Ames as the Company funded all of the equity of this entity, resulting in the Copper Beech investor's interest being deemed a de facto agent of Campus Crest. The VIE's assets and liabilities and the noncontrolling interest are included in the consolidated balance sheet as of December 31, 2014. On January 30, 2015, in connection with the Copper Beech purchase transaction (see Note 6), the Company's ownership interest in Copper Beech at Ames increased to 100%. The acquisition of the noncontrolling interest in

Copper Beech at Ames was accounted for as an equity transaction and did not result in the recognition of a gain or loss in the consolidated statement of operations and comprehensive income (loss).

Investments in Real Estate and Depreciation

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

Land improvements	15 years
Buildings and leasehold improvements	10-40 years
Furniture, fixtures and equipment	5-10 years

The cost of buildings and improvements includes all pre-development, entitlement and project costs directly associated with the development and construction of a real estate project, which include interest, property taxes and the amortization of deferred financing costs recognized while the project is under construction, as well as certain internal costs related to the development and construction of the Company's student housing properties. All costs are capitalized as development in process until the asset is ready for its intended use, which is typically at the completion of the project. Upon completion, costs are transferred into the applicable asset category and depreciation commences. There was no interest capitalized during the three months ended March 31, 2015 and $1.9 million of interest was capitalized during the three months ended March 31, 2014.

CAMPUS CREST COMMUNITIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The Company capitalizes costs during the development of assets beginning with the determination that development of a future asset is probable until the asset, or a portion of the asset, is delivered and is ready for its intended use. During development efforts the Company capitalizes all direct costs and indirect costs that have been incurred as a result of the development. These costs include interest, related loan fees and property taxes as well as other direct and indirect costs. The Company capitalizes interest costs for debt incurred for project specific financing and for capital contributions to equity method investees who utilize such funds for construction-related activities. Indirect project costs, which include personnel and office and administrative costs that are clearly associated with the Company’s development and redevelopment efforts, are capitalized. Indirect costs not clearly related to acquisition, development, redevelopment and construction activity, including general and administrative expenses, are expensed in the period incurred. As there were no assets under development during the three months ended March 31, 2015, correspondingly there were no capitalized costs for the period. Capitalized indirect costs associated with the Company’s development activities were $3.3 million for the three months ended March 31, 2014. The Company was developing ten properties during the three months ended March 31, 2014. All such costs are capitalized as development in process until the asset is delivered and ready for its intended use, which is typically at the completion of the project. Upon completion, costs are transferred into the applicable asset category and depreciation commences.

Pre-development costs are capitalized when they are directly identifiable with the specific property and would be capitalized if the property were already acquired and acquisition of the property or an option to acquire the property is probable. Capitalized pre-development costs are expensed when management believes it is no longer probable that a contract will be executed or construction will commence. Because the Company frequently incurs these pre-development expenditures before a financing commitment and/or required permits and authorizations have been obtained, the Company bears the risk of loss of these pre-development expenditures if financing cannot ultimately be arranged on acceptable terms or if the Company is unable to successfully obtain the required permits and authorizations. As such, management evaluates the status of projects where the Company has not yet acquired the target property or where the Company has not yet commenced construction on a periodic basis and expenses any pre-development costs related to projects whose current status indicates the acquisition or commencement of construction is not probable. No such write-offs were recorded during the three months ended March 31, 2015 and March 31, 2014. As of March 31, 2015 and December 31, 2014, the Company had no pre-development costs related to development projects, (see Note 4 regarding the Company’s strategic repositioning initiatives). As of March 31, 2015, the Company owned five strategically held land parcels that could be used for the development of phase two properties, with an aggregate bed count ranging from approximately 1,000 to 1,500, and four land parcels and one property which the Company intends to divest. The costs associated with the strategically held parcels are included in land held for investment on the accompanying consolidated balance sheets. The costs associated with the land parcels and additional property in which the Company intends to divest are included in land and property held for sale in the accompanying consolidated balance sheets.

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

Property Acquisitions

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

Additionally, mortgage debt premiums and discounts represent fair value adjustments for the difference between the stated rates and market rates of mortgage debt assumed in connection with the Company's acquisitions. The mortgage debt premiums and discounts are amortized to interest expense over the term of the related mortgage loans using the effective-interest method. Acquisition-related costs such as due diligence, legal, accounting and advisory fees are either expensed as incurred for acquisitions that are consolidated or capitalized for acquisitions accounted for under the equity method of accounting.

CAMPUS CREST COMMUNITIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Long-Lived Assets – Held for Sale

Long-lived assets to be disposed of are classified as held for sale in the period in which all of the following criteria are met:

a. Management, having the authority to approve the action, commits to a plan to sell the assets.

b. The asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets.

c. An active program to locate a buyer and other actions required to complete the plan to sell the asset have been initiated.

d. The sale of the asset is probable, and transfer of asset is expected to qualify for recognition as a completed sale, within one year.

e. The asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value.

f. Actions required to complete the plan indicate that it is unlikely that significant changes to the plans will be made or that the plan will be withdrawn.

Concurrent with this classification, the land and property held for sale is recorded at the lower of cost or fair value less estimated selling costs, and depreciation ceases.

Real Estate Ventures

Campus Crest holds interests in its properties through interests in both consolidated and unconsolidated real estate ventures. The Company assesses its investments in real estate ventures to determine if a venture is a variable interest entity ("VIE"). Generally, an entity is determined to be a VIE when either (i) the equity investors (if any) lack one or more of the essential characteristics of a controlling financial interest, (ii) the equity investment at risk is insufficient to finance that entity's activities without additional subordinated financial support or (iii) the equity investors have voting rights that are not proportionate to their economic interests and substantially all of the activities of the entity involve or are conducted on behalf of an investor that has disproportionately fewer voting rights. The Company consolidates entities that are VIEs for which the Company is determined to be the primary beneficiary. In instances where the Company is not the primary beneficiary, the Company does not consolidate the entity for financial reporting purposes. The primary beneficiary is the entity that has both (i) the power to direct the activities that most significantly impact the VIE's economic performance and (ii) the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. Entities that are not defined as VIEs are consolidated where the Company is the general partner (or the equivalent) and the limited partners (or the equivalent) in such investments do not have rights which would preclude control.

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

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

Ground Leases

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

Cash, Cash Equivalents and Restricted Cash

Campus Crest considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Restricted cash is excluded from cash for the purpose of preparing the consolidated statements of cash flows. The Company maintains cash balances in various banks. At times the Company's balances may exceed the amount insured by the Federal Deposit Insurance Corporation ("FDIC"). The Company does not believe this presents significant exposure for the business.

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Restricted cash includes escrow accounts held by lenders for the purpose of paying taxes, insurance and funding capital improvements. The Company's funds in escrow are typically held in interest bearing accounts covered under FDIC insurance with applicable limits.

Allowance for Doubtful Accounts

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

The following is a summary of the Company's allowance for doubtful accounts for the three months ended March 31, 2015 (in thousands):

Balance at December 31, 2014	$(459)
Bad debt expense	(741)
Write offs	9
Balance at March 31, 2015	$(1,191)

Write offs during the three months ended March 31, 2014 were immaterial.

Intangible Assets

Campus Crest's intangible assets consist of acquired in-place leases and the trademark for the Copper Beech brand name. As previously mentioned, the acquired in-place leases are amortized on a straight-line basis over the remaining initial term of the respective leases, generally less than one year. The gross carrying amount, accumulated amortization and net carrying amount of the acquired in-places leases was $26.0 million, $8.7 million and $17.3 million as of March 31, 2015, respectively. Amortization expense for the three months ended March 31, 2015 was $8.7 million. The estimated amortization expense for the remainder of 2015 is $20.1 million, which includes amortization related to the properties acquired as part of the Second CB Closing of $2.8 million. The Copper Beech trademark, which is a non-amortizing intangible asset, has a carrying value of $3.7 million as of March 31, 2015. In accordance with FASB ASC 350, Intangibles - Goodwill and Other, indefinite-lived intangible assets that are not subject to amortization must be tested for impairment annually or more frequently if events or circumstances indicate they might be impaired. As such, the Company will perform an impairment test in relation to the Copper Beech trademark on an annual basis or more frequently, if needed. As described in Note 6, the amount of the acquired in-place lease intangibles and related amortization and the amount of the Copper Beech brand name intangible are based on preliminary estimates that may change when the related acquisition accounting valuations are finalized.

Deferred Financing Costs

Campus Crest defers costs incurred in obtaining financing and amortizes these costs using the straight-line method, which approximates the effective interest method, over the expected terms of the related loans. Deferred financing costs as of March 31, 2015 and December 31, 2014 were $12.9 million and $11.7 million, respectively, and accumulated amortization was $5.5 million and $4.8 million as of March 31, 2015 and December 31, 2014, respectively. Upon repayment of the underlying debt agreement, any unamortized costs are charged to earnings. Deferred financing costs, net of accumulated amortization, are included in other assets, net in the accompanying consolidated balance sheets.

Noncontrolling Interests

Noncontrolling interests represent the portion of equity in the Company’s consolidated subsidiaries which are not attributable to the Company’s stockholders. Accordingly, noncontrolling interests are reported as a component of equity, separate from stockholders’ equity, in the accompanying consolidated balance sheets. On the consolidated statements of operations and comprehensive income (loss), operating results are reported at their consolidated amounts, including both the amount attributable to the Company and to noncontrolling interests. See also “Consolidated Variable Interest Entity.”

Student Housing Revenue

Students are required to execute lease contracts with payment schedules that vary from annual to monthly payments. The Company recognizes revenue on a straight-line basis over the term of the lease contracts which for new tenants is typically 11.5 months for Grove and evo properties and 12 months for Copper Beech properties. The lease term for renewing tenants for all properties is typically 12 months. Generally, unless sufficient income can be verified, each executed contract is required to be accompanied by a signed parental/guardian guaranty. Amounts received in advance of the occupancy period or prior to the contractual due date are recorded as deferred revenues and included in other liabilities on the accompanying consolidated balance sheets.

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Property Management Services

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

Development and Construction Services

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

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

Costs and estimated earnings in excess of billings represent the excess of construction costs and profits recognized to date using the percentage of completion method over billings to date on certain contracts. Billings in excess of costs and estimated earnings represents the excess of billings to date over the amount of contract costs and profits recognized to date using the percentage of completion method on certain contracts. Billings to date on such contracts totaled $51.0 million and $49.3 million as of March 31, 2015 and December 31, 2014, respectively. During the three months ended June 30, 2015 the Company has billed the costs and estimated earnings outstanding as of March 31, 2015 and expects to collect the amounts billed during the remainder of 2015.

Marketing and Advertising Costs

Marketing and advertising costs are expensed during the period incurred and included in student housing and general and administrative expenses in the accompanying consolidated statements of operations and comprehensive income (loss). Marketing and advertising expenses were $0.5 million and $0.4 million for the three months ended March 31, 2015 and 2014, respectively.

Derivative Instruments and Hedging Activities

Campus Crest enters into interest rate cap agreements to manage floating interest rate exposure with respect to amounts borrowed, or forecasted to be borrowed, under credit facilities. These contracts effectively limit the amount of interest the Company needs to pay should interest rates exceed contracted levels. The Company had two interest rate caps as of March 31, 2015.

All derivative instruments are recognized as either assets or liabilities on the consolidated balance sheets at their respective fair values. Changes in fair value are recognized either in earnings or as other comprehensive income (loss), depending on whether the derivative has been designated as a cash flow hedge and whether it qualifies as part of a hedging relationship, the nature of the exposure being hedged and how effective the derivative is at offsetting movements in underlying exposure. The Company discontinues hedge accounting when: (i) it determines that the derivative is no longer effective in offsetting changes in the cash flows of a hedged item; (ii) the derivative expires or is sold, terminated or exercised; (iii) it is no longer probable that the forecasted transaction will occur; or (iv) management determines that designating the derivative as a hedging instrument is no longer appropriate. In situations in which hedge accounting is not initially designated, or is discontinued and a derivative remains outstanding, gains and losses related to changes in the fair value of the derivative instrument are recorded in current period earnings as a component of other income (expense) line item on the accompanying consolidated statements of operations and comprehensive income (loss). As of March 31, 2015 and December 31, 2014, the fair value of derivative contracts was insignificant.

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Commitments and Contingencies

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

Income Taxes

The Company has made an election to qualify, and believes it is operating so as to qualify, as a REIT under Sections 856 through 859 of the Internal Revenue Code. The Company's qualification as a REIT depends upon its ability to meet on a continuing basis, through actual investment and operating results, various complex requirements under the Internal Revenue Code relating to, among other things, the sources of the Company's gross income, the composition and values of the Company's assets, the Company's distribution levels and the diversity of ownership of its stock. The Company believes that it is organized in conformity with the requirements for qualification and taxation as a REIT under the Internal Revenue Code and that the Company's intended manner of operation will enable it to meet the requirements for qualification and taxation as a REIT.

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

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

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

Comprehensive Income (Loss)

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

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Stock-Based Compensation

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

Foreign Currency

Transactions denominated in foreign currencies are recorded in local currency at actual exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet dates are reported at the rates of exchange prevailing at those dates. Any gains or losses arising on monetary assets and liabilities from a change in exchange rates subsequent to the date of the transaction have been included in discontinued operations, if resulting from operations within the Company's development or construction service company, or other income (expense) in the accompanying consolidated statements of operations and comprehensive income (loss). As of March 31, 2015 and December 31, 2014, the Company had foreign currency exposure to the Canadian dollar. The aggregate transaction gains and losses included in the accompanying consolidated statements of operations and comprehensive income (loss) for the three months ended March 31, 2015 and 2014 were not significant.

The financial statements of certain equity method investees and certain foreign subsidiaries are translated from their respective functional currencies into U.S. dollars using current and historical exchange rates. Translation adjustments resulting from this process are reported separately and included as a component of accumulated other comprehensive income (loss) in stockholders' equity in the accompanying consolidated balance sheets. Upon classification as held for sale, sale or liquidation of the Company's investments, the translation adjustment would be reported as part of the gain or loss on classification, sale or liquidation. During the three months ended March 31, 2015 and 2014, the Company recognized a foreign currency translation loss of $0.7 million and $1.0 million, respectively, related to its investment in CSH Montreal, LP ("CSH Montreal"). Foreign currency translation loss is included in accumulated other comprehensive loss on the accompanying consolidated balance sheets and in comprehensive income (loss) in the accompanying consolidated statements of operations and comprehensive income (loss).

Insurance Recoveries

Insurance recoveries are amounts due or received under the Company's applicable insurance policies for asset damage and business interruption relating to the previously disclosed fire at The Grove at Pullman, Washington and to the damage at The Grove at Wichita Kansas, and The Grove at Wichita Falls, Texas. Business interruption recovery is recorded when realized and included as a reduction within student housing operations expenses within the consolidated statements of operations and comprehensive income (loss). For the three months ended March 31, 2015 and 2014, the Company recognized zero and $0.6 million, respectively of business interruption recovery. As of March 31, 2015 and December 31, 2014, the Company had a receivable for property damage of $4.6 million and $5.5 million, respectively.

Segments

The Company has identified three reportable business segments: (i) Grove and evo operations (ii) Copper Beech operations and (iii) property management services. The Company evaluates the performance of its operating segments based on operating income (loss). All inter-segment sales pricing is based on current market conditions. Unallocated corporate amounts include general expenses associated with managing the Company's three reportable operating segments. Prior to the closing of the Copper Beech sale transaction in January 2015, the Company's segments consisted of student housing operations and property management services. Upon closing of this transaction, the Company added the Copper Beech operations as a new reportable operating segment. During the first quarter of 2015, the Company's chief operating decision maker began reviewing the separate operating results of the three operating segments to make decisions about resources to be allocated to each segment and assess each segment's performance.

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Immaterial Corrections

Subsequent to the issuance of the Company’s 2014 consolidated financial statements, the Company became aware of two immaterial corrections that were necessary to be made to the consolidated financial statements. These errors related to the second, third and fourth quarters of 2014. The Company has adjusted the prior year consolidated financial statements to reflect the impact of these immaterial corrections. The total impact of these immaterial corrections increased the previously reported net loss attributable to common stockholders from $174.9 million to $177.7 million for the year ended December 31, 2014 in the consolidated statement of operations and comprehensive income (loss). As a result, accumulated deficit and distributions changed from $298.8 million to $301.6 million in the accompanying consolidated balance sheet as of December 31, 2014. The first immaterial correction related to receivables of $1.9 million included in other assets, net in the consolidated balance sheet that were determined to be incorrectly recorded and uncollectible in connection with construction activities associated with the Company’s investment in CSH Montreal, which was included in discontinued operations for the year ended December 31, 2014 in the consolidated statement of operations and comprehensive income (loss). The second immaterial correction related to $0.9 million of pre-development costs that were inadvertently excluded from the impairment of land and pre-development costs recorded in 2014. This correction had the effect of decreasing the carrying value of land and properties held-for-sale as of December 31, 2014 and increasing the impairment of land and pre-development costs by $0.9 million for the year ended December 31, 2014 in the consolidated statement of operations and comprehensive income (loss). No changes in net cash provided by operating activities in the consolidated statement of cash flows resulted from these immaterial corrections.

Recent Accounting Pronouncements

In February 2015, the FASB issued ASU 2015-02, "Consolidation (Topic 810)", which amends the consolidation requirements in ASC 810, “Consolidation”. ASU 2015-02 affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. Specifically, the amendments: (i) modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities ("VIEs") or voting interest entities, (ii) eliminate the presumption that a general partner should consolidate a limited partnership, (iii) affect the consolidated analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships and (iv) provide a scope exception for certain entities. ASU 2015-02 is effective for annual reporting periods beginning after December 15, 2015, and interim periods within those fiscal years. The Company is currently evaluating the provisions of this guidance and the impact is not known.

In April 2015, the FASB issued ASU 2015-03, "Interest-Imputation of Interest (Subtopic 835-30)", which simplifies the presentation of debt issuance costs. To simplify presentation of debt issuance costs, the amendments in this update require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. For public business entities, the amendments in this Update are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption of the amendments in this Update is permitted for financial statements that have not been previously issued. The Company is currently evaluating the provisions of this guidance and the impact is not known.

In May 2014, the FASB issued ASU 2014-09 "Revenue From Contracts With Customers" which provides a single comprehensive revenue recognition model for contracts with customers (excluding certain contracts, such as lease contracts) to improve comparability within industries. ASU 2014-09 requires an entity to recognize revenue to reflect the transfer of goods or services to customers at an amount the entity expects to be paid in exchange for those goods and services and provide enhanced disclosures, all to provide more comprehensive guidance for transactions such as service revenue and contract modifications. ASU 2014-09 is effective for interim and annual periods beginning after December 15, 2016 and may be applied using either a full retrospective or modified approach upon adoption. The Company is currently evaluating the provisions of this guidance and the impact is not known.

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3. Student Housing Properties

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

	March 31, 2015	December 31, 2014
Land	$117,352	$ 76,043
Buildings and improvements	1,291,153	781,739
Furniture, fixtures and equipment	97,792	78,180
	1,506,297	935,962
Less: accumulated depreciation	(138,830)	(128,121)
	$1,367,467	$ 807,841

In January 2015, the Company exercised its option to acquire the remaining interests in 28 Copper Beech properties (26 at 100%, one at 85%, and one at 84%), thereby increasing its student housing properties (see Note 6).

In July 2013, the Company experienced a fire at The Grove at Pullman, Washington, a property under construction, which resulted in a partial loss of the property. The Company has settled with its insurance company on a loss of $6.8 million, of which the Company received $2.5 million in insurance proceeds in 2013 and has received the remaining $4.3 million during the third quarter of 2015. This settlement resulted in the write off of $0.3 million to reduce the receivable to the settled amount. This is included in write off of other assets in the consolidated statements of operations and comprehensive income (loss).

4. Strategic Repositioning Initiatives

The Company continues to execute its strategic repositioning which began during the third quarter of 2014 and includes, among other things:

(1) Simplifying the business model by discontinuing all construction and development and focusing on organic growth;

(2) Reducing the number of joint ventures through planned dispositions of certain assets within its joint ventures to simplify asset ownership structure and reduce exposure to off-balance sheet obligations;

(3) Disposing of land which was previously held for future development (included in land and property held for sale in the accompanying consolidated balance sheets, some of which were disposed of during the quarter ended March 31, 2015 (see Note 7) and the rest of which the Company expects to dispose of during the remainder of 2015); and,

(4) Undergoing a review of strategic alternatives.

During the three months ended March 31, 2015 the Company sold its interest in the following joint venture properties: The Grove at Stillwater, OK, The Grove at Lawrence, KS, and The Grove at Conway, AR (see Note 7). These joint ventures were included in the Grove and evo Operations segment.

On January 16, 2015, the Company sold a portfolio of six undeveloped land parcels to a leading student housing developer resulting in net sale proceeds of $28.3 million. The portfolio included parcels located in Alabama, Arizona, California, Florida, Michigan and Washington. The sale was a part of the Company's previously announced strategic initiative to improve liquidity and simplify the balance sheet by selling certain properties previously held for development. (See Note 7). These land parcels were included in the Grove and evo Operations segment.

The Company also terminated the employment of certain employees and eliminated positions as part of the strategic repositioning. In connection with these terminations, the Company recognized severance expense of $0.5 million during the three months ended March 31, 2015, which is included in operating expenses in the consolidated statements of operations and comprehensive income (loss). Severance expense included $0.4 million for the acceleration of the vesting conditions of restricted shares for the three months ended March 31, 2015. As of March 31, 2015, there was $4.1 million of accrued severance included in accounts payable and accrued expenses in the consolidated balance sheet of which $2.7 million and $1.4 million is expected to be paid in the remainder of 2015 and 2016, respectively. Changes to the severance accrual during the three months ended March 31, 2015 are as follows (in thousands):

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Balance at December 31, 2014	$5,743
New charges	122
Cash payments	(1,732)
Balance at March 31, 2015	$4,133

5. Income Taxes

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

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

	March 31, 2015	**December 31, 2014**
Deferred tax assets:		
Solar investment tax credit	$2,116	$ 2,116
Federal and state net operating loss	2,131	2,284
Other	22	22
Less: valuation allowance	(3,849)	(4,002)
Total deferred tax assets	420	420
Deferred tax liabilities:		
Deferred revenue	-	-
Depreciation and amortization	(420)	(420)
Total deferred tax liabilities	(420)	(420)

Net deferred tax assets	$-	$ -

Due to the Company’s decision to discontinue construction and development operations, it believes it is more likely than not that the Company will not realize the value of its deferred tax assets, net of valuation allowance. For the three months ended March 31, 2015, the valuation allowance decreased by $0.2 million due to the estimated use of certain state net operating losses. The Company had no unrecognized tax benefits as of March 31, 2015 and December 31, 2014.

As of March 31, 2015 the Company is not under an income tax examination by the Internal Revenue Service (“IRS”) or by any state or local taxing authority. The Company is no longer subject to income tax examinations by the IRS for tax years before 2011 or by state or local income tax authorities for the tax years before 2010.

6. Business Acquisitions

Denton, Texas Acquisition

In January 2014, the Company acquired HSRE’s 80% ownership interest in HSRE IV, in which the Company previously held a 20% interest and which owns The Grove at Denton, Texas, for $7.7 million. Prior to the acquisition of this interest, the Company accounted for its ownership interest in the property under the equity method. In connection with evaluating the Company’s investment in HSRE IV for impairment as of December 31, 2013, the Company recognized a loss of $0.3 million for the other than temporary decline in value of its previously held equity interest in the property. The acquisition date fair value of the Company’s equity interest in HSRE IV immediately before the acquisition of the remaining interest in HSRE IV was $1.9 million based on the purchase price of the transaction. Subsequent to the Company’s acquisition of this interest, the Company consolidated the balance sheet and results of operations of The Grove at Denton, Texas. For the three months ended March 31, 2014, the acquired property contributed a total of $0.7 million in revenue and $0.3 million in expenses.

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The following table is an allocation of the purchase price (in thousands):

Land	$4,770
Buildings and improvements	18,276
Furniture, fixtures and equipment	2,284
In-place leases	1,524
Other	(377)
Fair value of debt at acquisition	(16,901)
	9,576
Less estimated fair value of interest owned prior to acquisition	(1,915)
	$7,661

Copper Beech Acquisition

On February 26, 2013, the Company and subsidiaries of the Operating Partnership entered into a purchase and sale agreement (the "Initial Purchase Agreement") with the then members of Copper Beech Townhome Communities, LLC ("CBTC") and Copper Beech Townhome Communities (PA), LLC ("CBTC PA" and, together with CBTC, "Copper Beech") (such former members of CBTC and CBTC PA, collectively, the "Sellers"). Pursuant to the terms of the Initial Purchase Agreement, the Company initially acquired a 48% interest in a portfolio of 35 student housing properties and 3 other entities (the "Copper Beech Portfolio"), for an initial purchase price of $230.6 million. The Initial Purchase Agreement provided the Company with options to acquire the remaining interests in the Copper Beech Portfolio over time. Subsequent to the Initial Purchase Agreement, the Company formed a variable interest entity ("VIE") with the Sellers to develop, construct and manage the Copper Beech at Ames student housing property. The Company concluded that it was the primary beneficiary of Copper Beech at Ames as the Company funded all of the equity of the VIE, while holding only a 48% interest in the VIE.

On January 30, 2015, the Company completed the acquisition (the "First CB Closing") of (i) substantially all of the Sellers' remaining interests in 27 student housing properties, 2 undeveloped land parcels and a corporate office building and (ii) the Sellers' remaining interests in Copper Beech at Ames pursuant to that certain Second Amendment (the "Second Amendment") to the Initial Purchase Agreement.

Pursuant to the terms of the Second Amendment, the Company agreed to acquire the Sellers' remaining interests in each of the properties comprising the Copper Beech Portfolio other than Copper Beech Kalamazoo Phase 1, Copper Beech Kalamazoo Phase 2, Copper Beech Morgantown, Copper Beech Harrisonburg, Copper Beech Greenville and Copper Beech Parkway. Following the consummation of the First CB Closing, and as of March 31, 2015, the Company held a 100% interest in Copper Beech at Ames and the following interests in the remaining Copper Beech Portfolio:

- 100% interest in 25 student housing properties;
- 100% interest in 2 undeveloped land parcels and 1 corporate office building;
- 85% interest in 1 student housing property (Copper Beech Klondike or CBTC 8);
- 84% interest in 1 student housing property (Copper Beech Northbrook or CBTC 9);
- 48% interest in 7 student housing properties; and
- no ownership interest in 1 student housing property (Copper Beech Kalamazoo – Phase I).

As of April 30, 2015 (the "Second CB Closing"), the Company completed the acquisition of the Sellers' interests in two of the properties in the Copper Beech Portfolio in which the Company previously held a 48% interest – Copper Beech San Marcos Phase 1 and Copper Beech IUP Buy.

As consideration for the additional interests acquired in the First CB Closing, the Company paid to the Sellers aggregate cash consideration of $58.9 million and the Operating Partnership issued to the Sellers an aggregate of approximately 10.4 million ($71.3 million) limited partnership units of the Operating Partnership ("OP Units"). As consideration for the Second CB Closing, the Company paid to the Sellers $1.4 million in cash and the Operating Partnership issued to the Sellers approximately 2.0 million ($13.0 million) in OP Units. The OP Units were valued at the closing price of the Company's stock on the respective closing dates. Additionally, the Company surrendered all of its previous 48% ownership interest in one of the properties (Copper Beech Kalamazoo – Phase I) in the Copper Beech Portfolio as part of the terms of the Second Amendment. The Company continues to hold a 48% ownership interest in Copper Beech Kalamazoo – Phase II as a result of not receiving lender consent to reduce its ownership interest to zero.

Although the business combination was achieved in stages, the Company had negotiated with the Sellers that a significant portion of the Copper Beech Portfolio would be acquired in its entirety from the agreements that were entered into in 2013. When the Company entered into the Initial Purchase Agreement, it was the intent of the Company to exercise the purchase options to acquire the remaining interests in the Copper Beech Portfolio. Given the intent of the Company to exercise the purchase options to acquire the remaining interest in the Copper Beech Portfolio, the timing of the consideration paid differed from the timing of when the Company obtained its ownership interests in the Copper Beech Portfolio.

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As the timing of the consideration paid and ownership interest acquired at each stage differed, for purposes of computing how much of the gain to recognize during the three months ended March 31, 2015, the Company allocated the total consideration paid in the First CB Closing and the Second CB Closing, based on the relative provisional fair values of the assets acquired and liabilities assumed in the two closings. As a result, a gain of $21.6 million was recognized and $6.3 million of additional gain on the First CB Closing was deferred and included in other liabilities in the accompanying consolidated balance sheet during the three months ended March 31, 2015. This deferred gain was recognized as part of the Second CB Closing which occurred on April 30, 2015.

The Company negotiated the purchase of a significant portion of the Copper Beech Portfolio at the inception of the Initial Purchase Agreement, notwithstanding the acquisition of ownership interests occurred in stages. During the year ended December 31, 2014, the Company recognized a $33.4 million loss on the effect of not exercising the Copper Beech option which correspondingly decreased the Company's investment in the Copper Beech Portfolio. This loss resulted from the Company reducing its ownership interest in 28 properties in the Copper Beech Portfolio, from 67% to 48%. Additionally, included in the equity in losses recognized during the year ended December 31, 2014 and 2013, there were significant amounts of amortization expense for in-place lease intangible assets which also decreased the carrying value of our investment in the Copper Beech Portfolio. Primarily as a result of these decreases to our investment in the Copper Beech Portfolio, at the First and Second CB Closings, the Company realized a gain as the provisional fair value of the assets acquired and liabilities assumed exceeded the consideration of cash paid, OP Units issued and the carrying value of the investment in the Copper Beech Portfolio for these properties.

The following table summarizes the provisional fair values of the assets acquired and liabilities assumed from the First CB Closing discussed above:

	January 30, 2015
Assets acquired:	
Land	$41,309
Buildings	504,960
Furniture, fixtures and equipment	19,192
Intangibles	29,692
Other assets, including cash of $5,074	7,882

Total assets acquired	$603,035
Liabilities assumed:	
Mortgage, construction loans and other debt	$263,786
Other liabilities	9,378
Total liabilities assumed	$273,164
Net assets acquired	$329,871

Since the First CB Closing, the 28 Copper Beech properties that were acquired and consolidated contributed $9.2 million of revenues and $7.3 million of net loss for the three months ended March 31, 2015 that are included in the accompanying consolidated statement of operations and comprehensive income (loss). These results include depreciation of $2.8 million and amortization of in-place intangible assets for the Copper Beech Portfolio of $8.7 million for the period from January 30, 2015 (date of First CB Closing) through March 31, 2015. In connection with the First CB and Second CB Closings, the Company recognized $1.3 million of transaction costs for the three months ended March 31, 2015.

The acquired properties' results of operations have been included in the accompanying consolidated statements of operations and comprehensive income (loss) since the respective acquisition closing dates. The following pro forma information for the three months ended March 31, 2015 and 2014 presents consolidated financial information for the Company as if the property acquisitions discussed above had occurred at the beginning of the earliest period presented. Excluded from the pro forma results below are $1.3 million and $0.5 million of transaction costs for the three months ended March 31, 2015 and 2014, respectively and $21.6 million of gain on purchase of Copper Beech for the three months ended March 31, 2015. Additionally, included in the pro forma results below for both the three months ended March 31, 2015 and 2014 is approximately $13.0 million of amortization expense of in-place intangible assets. The pro forma information is provided for informational purposes only and is not indicative of results that would have occurred or which may occur in the future:

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	Pro Forma Three Months Ended March 31, 2015	2014
Total revenues	$ 48,298	$ 38,422
Net loss	$ (11,761)	$ (9,885)
Net loss attributable to common shareholders	$ (10,773)	$ (11,333)

The initial accounting for the business combination is incomplete with respect to the values assigned to tangible and intangible assets acquired with liabilities assumed and OP Units issued as the Company did not have sufficient time to finalize these respective valuations and, accordingly, the amounts recognized in these consolidated financial statements are provisional.

As of June 25, 2015, the Company owned 100% of Copper Beech Klondike and Copper Beech Northbrook. See Note 18.

Montreal, Quebec Acquisitions

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

In December 2013, the Company and Beaumont formed a holding company, CSH Montreal LP ("CSH Montreal"), and DCV Holdings was subsequently contributed to CSH Montreal, such that CSH Montreal became the sole limited partner in DCV Holdings. In addition, following the insertion of CSH Montreal as the holding company in the joint venture arrangement, CSH Montreal acquired ownership of HIM Holdings LP ("HIM Holdings"), an entity formed to facilitate the acquisition of the Holiday Inn property in Canada. In January 2014, HIM Holdings completed the acquisition of a hotel property, which has been converted into an upscale student housing property serving McGill University. As of March 31, 2015 and December 31, 2014, the Company owned a 47.0% common interest in CSH Montreal, the holding company of DCV Holdings.

7. Asset Dispositions and Discontinued Operations

In connection with the strategic repositioning initiatives, the Company discontinued all construction and development operations. See Note 4 for additional information related to the strategic repositioning. In connection with the discontinuation of these operations, the Company has presented the results of construction and development as discontinued operations in the accompanying consolidated statements of operations and comprehensive income (loss) for all periods presented. These operations were previously included in the development, construction and management services segment in the prior year's Form 10-Qs. See Note 16 for additional segment information.

Below is a summary of the consolidated balance sheet for the construction and development operations as of March 31, 2015 and December 31, 2014 (in thousands):

	March 31, 2015	**December 31, 2014**
Cash	$ 307	$ 1,118
Other assets	587	634
Costs and earnings in excess of construction billings	618	3,887
Total assets	1,512	5,639
Accounts payable and accrued expenses	688	4,711
Construction billings in excess of cost and earnings	-	481
Total liabilities	688	5,192
Total net assets	$ 824	$ 447

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Below is a summary of the results of operations for the construction and development operations for all periods presented (in thousands):

	Three Months Ended March 31, 2015	2014
Revenue	$ -	$ 7,333
Construction and development service expense	(1,157)	(6,394)
Income (loss) from discontinued operations	$ (1,157)	$ 939

All construction and development projects were substantially complete as of December 31, 2014.

On January 16, 2015, the Company sold a portfolio of six undeveloped land parcels to a leading student housing developer resulting in net sale proceeds of $28.3 million. The portfolio included parcels located in Alabama, Arizona, California, Florida, Michigan and Washington. The sale was a part of the Company's previously announced strategic initiative to improve liquidity and simplify the balance sheet by selling certain properties previously held for development. The Company disposed of the parcels through a rigorous sale process which resulted in noticeable demand from a wide spectrum of bidders with numerous offers received. As a result of this transaction, a gain of $3.1 million was recognized during the three months ended March 31, 2015. This gain is included in gain on sale of land and unconsolidated entities in the accompanying consolidated statements of operations and comprehensive income (loss).

On January 30, 2015, the Company sold its 10% interest in the joint venture property, The Grove at Stillwater, Oklahoma for net sale proceeds of $1.0 million. Additionally as part of this closing, the Company received $1.9 million in proceeds for a receivable related to renovation work performed at this property. No gain or loss was recognized.

On February 9, 2015, the Company completed the sale of the Falcon 900, the corporate aircraft, resulting in net sale proceeds of $3.8 million. This asset is presented in other assets on the consolidated balance sheet as of December 31, 2014. No gain or loss was recognized.

On March 31, 2015, the Company sold its 63.9% interest in the joint venture properties, The Grove at Conway, Arkansas and The Grove at Lawrence, Kansas for net sale proceeds of $1.3 million. The Company recorded a receivable for the $1.3 million in net sale proceeds and subsequently received the proceeds on April 1, 2015. During 2014, the Company's investment had been reduced to below zero as the Company had recorded an obligation of $3.3 million in connection with guarantees of debt of these two properties. As a result, a gain of $4.6 million was recognized on this transaction. This gain is included in gain on sale of land and unconsolidated entities in the accompanying consolidated statements of operations and comprehensive income (loss). The Company had no continuing involvement with these properties, including providing debt guarantees, after March 31, 2015.

8. Investment in Unconsolidated Entities

The Company has investments in real estate ventures with HSRE, the former members (the "CB Investors") of Copper Beech Townhome Communities, LLC ("CBTC") and Copper Beech Townhome Communities (PA), LLC ("CBTC PA," together with CBTC, "Copper Beech"), Brandywine and Beaumont that the Company does not consolidate. These joint ventures are engaged primarily in developing, constructing, owning and managing student housing properties. Both the Company and its joint venture partners hold joint approval rights for major decisions, including those regarding property acquisitions and dispositions as well as property operation. As such, the Company has significant influence but not control in these joint ventures and accounts for them under the equity method of accounting.

The Company acts as the operating member and day-to-day manager for its investments with HSRE, Brandywine and Beaumont and earns fees for these management services. Additionally, for the three months ended March 31, 2014, the Company provided development and construction services to the ventures with HSRE, Brandywine, Copper Beech and Beaumont and recognized fees as the services were performed. The fees related to development and construction services are included in "Income (loss) from discontinued operations" in the accompanying consolidated statements of operations and comprehensive income (loss). No development and construction services were provided during the three months ended March 31, 2015.

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In January 2014, CSH Montreal LP ("CSH Montreal"), the Company's joint venture with Beaumont, formed HIM Holdings LP ("HIM Holdings"), to facilitate the acquisition of the Holiday Inn Midtown in Montréal, Québec for CAD 65 million ($56.2 million). In connection with the acquisition of the Holiday Inn property, the Company increased its ownership interest from 20.0% to 47.0% in CSH Montreal, the joint venture that ultimately owns the Holiday Inn Midtown. In January 2014, with the acquisition of the Holiday Inn Midtown property, the Company provided CAD 16.0 million ($13.8 million) of preferred bridge equity financing to CSH Montreal to be repaid on or before September 2, 2014. As of September 2, 2014, the Company's preferred equity had not been repaid in full and as a result the Company is now entitled to 60.5% of all cash distributions related to earnings from CSH Montreal, with Beaumont and its partners being entitled to the remaining 39.5%. The Company retains its common ownership interest of 47.0% in CSH Montreal and recognizes 47.0% in all losses from CSH Montreal with Beaumont and its partners recognizing the remaining 53.0%. The Company's maximum exposure to loss is its investment in CSH Montreal and the amount, if any, that could be due under its debt guarantee described in Note 17. While the Company is not obligated to provide additional capital to CSH Montreal, the Company may fund operating commitments up to its 47.0% common ownership in the partnership. As described in Note 18, the Company entered into a potential buyout agreement of its interest in June of 2015, and therefore estimates that it will provide no additional capital funding. However, if the Company does not close on this potential transaction, the Company expects to fund $3.9 million during the remainder of 2015, which is in addition to the $0.8 million that the Company has already funded to date during the year.

In conjunction with the Holiday Inn Midtown acquisition, CSH Montreal entered into a CAD 112.0 million ($88.4 million at the March 31, 2015 exchange rate) acquisition and development credit facility to help fund the conversion of both hotels into upscale student housing towers. The credit facility provides for variable interest-only payments at the higher of the following: (i) Canadian Prime rate, which was 3.00% at March 31, 2015, plus a weighted average spread of 3.39% or (ii) the Canadian Dealer Offered Rate ("CDOR"), which was 1.298% at March 31, 2015, plus 1%, plus a weighted average spread of 3.39% through its maturity date on January 13, 2016. This facility has one twelve-month extension option, subject to lender approval.

In January 2014, the Company amended and restated the HSRE-Campus Crest I, LLC operating agreement, which had the effect of exchanging its preferred interests in The Grove at San Angelo, Texas, and The Grove at Conway, Arkansas, for additional membership interests in HSRE-Campus Crest I, LLC, effectively increasing the Company's equity investment in the joint venture to 63.9% from 49.9%. HSRE-Campus Crest I, LLC owns The Grove at San Angelo, Texas, and previously owned The Grove at Lawrence, Kansas, and The Grove at Conway, Arkansas. On March 31, 2015, The Grove at Lawrence, Kansas and The Grove at Conway, Arkansas were sold to third parties (see Note 7).

In February 2013, the Company entered into purchase and sale agreements to acquire an approximate 48.0% interest in a portfolio of 35 student housing properties, two undeveloped land parcels and a corporate office building held by the members of the Copper Beech Portfolio for an initial purchase price of approximately $230.6 million, including the repayment of $106.7 million of debt. The remaining interests in the Copper Beech Portfolio are held by certain of the former members of CBTC and CBTC PA, (the “CB Investors”). In September 2013, the Company entered into an amendment to the above referenced purchase and sale agreements for consideration of $4.0 million whereby it transferred its 48.0% interest in five properties in the Copper Beech Portfolio back to the CB Investors and deferred the acquisition of two development properties as consideration for an additional 19.0% interest in each of the remaining 28 properties in the Copper Beech Portfolio. On August 18, 2014, the Company elected not to exercise the first purchase option to acquire additional interests in the properties comprising the Copper Beech Portfolio. As a result of this decision, the Company was entitled to 48.0% of the operating cash flows in the 35 operating properties, one office building and one parcel of land.

On January 30, 2015, the Company completed the acquisition of substantially all of the remaining interests in 28 student housing properties, 2 undeveloped land parcels and a corporate office building in the Copper Beech Portfolio. See Note 6 for additional information.

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The Company is the guarantor of the construction and mortgage debt or credit facilities of its joint ventures with HSRE, Brandywine and Beaumont (see Note 17). Details of the Company's unconsolidated investments at March 31, 2015 are presented in the following table (dollars in thousands):

					Debt					
Unconsolidated Entities	Our Ownership	Year Founded	Number of Properties In Operation	Total Investment	Amount Outstanding		Weighted Average Interest Rate		Maturity Date / Range	
HSRE-Campus Crest I, LLC	63.9%	2009	1	$3,719	$11,166	(4)	2.68%	(1)	5/09/2015	(3)
HSRE-Campus Crest V, LLC	10.0%	2011	2	-	36,289	(4)	2.88%	(1)	5/05/2015 – 7/20/2015	(3)
HSRE-Campus Crest VI, LLC	20.0%	2012	3	6,645	53,706	(4)	2.49%	(1)	5/08/2015 – 12/19/2015	(3)
HSRE-Campus Crest IX, LLC	30.0%	2013	1	19,394	90,081	(4)	2.38%	(1)	7/25/2016	
HSRE-Campus Crest X, LLC	30.0%	2013	2	7,836	42,579	(4)	2.36%	(1)	9/06/2016 – 9/30/2018	
CB Portfolio	48.0%	2013	7	50,674	195,791	(4)	5.41%	(2)	10/01/2015 – 10/01/2020	
CSH Montreal	47.0%	2013	2	5,515	82,113	(4)	5.69%	(1)	1/13/2016	
Total unconsolidated entities			18	$93,783	$511,725		4.12%			

(1) Variable interest rates.

(2) Comprised of fixed rate debt.

(3) Certain loans which matured in May 2015 and are scheduled to mature during July 2015 are in the process of being refinanced as of the date of this filing.

(4) The amount outstanding for debt represents 100% of the debt outstanding at each of the respective joint ventures in which the Company has varying ownership percentages. See Note 17 for a discussion of amounts of the outstanding debt in which the Company guarantees on behalf of certain of these joint ventures.

The following is a summary of the combined financial position of the Company's unconsolidated entities with HSRE, Brandywine and Beaumont in their entirety, not only the Company's interest in the entities, for the periods presented (in thousands):

	March 31, 2015	December 31, 2014
Assets		
Student housing properties, net	$ 489,075	$ 437,108
Development in process	-	7,429
Other assets	12,321	12,947
Total assets	$ 501,396	$ 457,484
Liabilities and Equity		
Mortgage and construction loans	$ 315,935	$ 354,759
Other liabilities	19,237	29,364
Owners' equity	166,224	73,361
Total liabilities and owners' equity	$ 501,396	$ 457,484
Company's share of historical owners' equity	$ 52,860	$ 30,481
Preferred investment(1)	7,322	7,322
Net difference in carrying value of investment versus net book value of underlying net assets(2)	(17,073)	3,219
Carrying value of investment in HSRE and other non-Copper Beech entities	$ 43,109	$ 41,022

(1) As of March 31, 2015, the Company had Class B membership interests in The Grove at Indiana, Pennsylvania, The Grove at Greensboro, North Carolina, and The Grove at Louisville, Kentucky, of $2.7 million, $2.7 million and $1.9 million, respectively, entitling the Company to a 9.0% return on its investment upon the respective property being operational.

(2) This amount represents the aggregate difference between the Company’s carrying amount and its underlying equity in the net assets of its investments, which is typically amortized over the life of the related asset. The basis differential occurs primarily due to the other than temporary impairments recorded during 2014, the difference between the allocated value to acquired entity interests and the venture’s basis in those interests, the capitalization of additional investment in the unconsolidated entities, and the elimination of service related revenue to the extent of the Company’s percentage ownership.

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ASC 323 Investments – Equity Method and Joint Ventures and Article 4.08(g) of Regulation S-X requires that summarized financial information of material investments accounted for under the equity method be provided of the investee’s financial position and results of operations including assets, liabilities and results of operations under the investee’s historical cost basis of accounting. Notwithstanding the extensive efforts of the Company and Copper Beech to compile the necessary financial information, the Company has determined that the information needed for the preparation of historical financial statements of the Copper Beech Portfolio to satisfy these requirements is not available or otherwise sufficiently reliable. As a result, the Company has elected to present financial information on its investment in Copper Beech on the Company’s cost basis for its investment as of March 31, 2015 and December 31, 2014 as it believes this information is reliable and relevant to the users of its financial statements. Further, although the Company acknowledges that the information provided does not comply with all of the provisions of ASC 323 or Article 4.08(g) of Regulation S-X, it does not believe that the lack of the omitted disclosure, or the information of the financial position reflecting the cost basis of its investment provided results in a material omission or misstatement of the Company’s consolidated financial statements taken as a whole.

The following is a summary of the financial position of the Copper Beech entities at 100% basis for the seven and thirty five properties in which the Company held a 48% interest as of March 31, 2015 and December 31, 2014, respectively (in thousands):

	March 31, 2015	December 31, 2014
Assets		
Student housing properties, net	$306,139	$ 906,614
Intangible assets	2,283	7,212
Other assets	14,178	14,293
Total assets	$322,600	$ 928,119
Liabilities and Equity		
Mortgage and construction loans	$206,122	$ 476,985
Other liabilities	4,533	15,541
Owners' equity	111,945	435,593
Total liabilities and owners' equity	$322,600	$ 928,119
Company's share of historical owners' equity	$53,734	$ 199,281
Net difference in carrying value of investment versus net book value of underlying net assets(1)	(3,060)	19,437
Carrying value of investment in unconsolidated entity	$50,674	$ 218,718

(1) This amount represents the aggregate difference between the historical cost basis and the basis reflected at the entity level, which is typically amortized over the life of the related asset. The basis differential occurs primarily due to the impairment recognized during the year ended December 31, 2014 in connection with not exercising the Copper Beech purchase option, offset by the capitalization of transaction costs incurred to acquire the Company's interests in the Copper Beech entities.

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The following is a summary of the combined operating results for the Company’s unconsolidated entities with HSRE, Brandywine and Beaumont in their entirety, not only the Company’s interest in the entities. For the three months ended March 31, 2015 and 2014, this summary includes results for 11 unconsolidated properties and 14 unconsolidated properties, respectively (in thousands):

Three Months Ended March 31,
2015