

Campus Crest Communities, Inc.
Form 10-Q/A
June 20, 2014

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

FORM 10-Q/A

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

For the quarterly period ended September 30, 2013

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
(State or other jurisdiction of
incorporation or organization)

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

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

28211
(Zip Code)

(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

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 No

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

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

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 October 30, 2013 |
|--|---------------------------------|
| Common Stock, \$0.01 par value per share | 64,510,382 shares |

Explanatory Note

This Amendment No. 1 to the Quarterly Report on Form 10-Q/A (“Amendment No. 1”) of Campus Crest Communities, Inc. (the “Company”) is being filed to amend the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, which was originally filed with the Securities and Exchange Commission (the “SEC”) on October 30, 2013 (the “Original Filing”) in order to disclose additional information regarding the Company’s investment in the Copper Beech Portfolio (the “CB Portfolio”). The additional disclosure relating to the Company’s investment in the CB Portfolio is included in “Part I, Item 1. Financial Statements,” and “Part I, Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.” In addition, as required by Rule 12b-15 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), this Amendment No. 1 contains new certifications by our current principal executive officer and principal financial officer, filed as exhibits hereto under Part II, Item 6 hereof.

No other information included in the Original Filing has been amended. This Amendment No. 1 on Form 10-Q/A continues to describe conditions as of the date of the Original Filing and the disclosures contained herein have not been updated to reflect events that occurred at a later date.

For the convenience of the reader, this Amendment No. 1 restates in its entirety the Original Filing, although the Company is only providing additional disclosure relating to its investment in the CB Portfolio in Item 1 and Item 2.

CAMPUS CREST COMMUNITIES, INC.
FORM 10-Q
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PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS**

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

| | September 30, 2013 | December 31, 2012 |
|---|-----------------------|----------------------|
| ASSETS | | |
| Investment in real estate, net: | | |
| Student housing properties | \$ 771,467 | \$ 669,387 |
| Accumulated depreciation | (115,817) | (97,820) |
| Development in process | 69,023 | 50,781 |
| Investment in real estate, net | 724,673 | 622,348 |
| Investment in unconsolidated entities | 323,268 | 22,555 |
| Cash and cash equivalents | 22,835 | 5,970 |
| Restricted cash | 8,169 | 3,902 |
| Student receivables, net of allowance for doubtful accounts of \$1,827 and \$121, respectively | 3,625 | 2,193 |
| Notes receivable | 31,700 | - |
| Cost and earnings in excess of construction billings | 32,749 | 23,077 |
| Other assets, net | 37,733 | 16,275 |
| Total assets | \$ 1,184,752 | \$ 696,320 |
| LIABILITIES AND EQUITY | | |
| Liabilities: | | |
| Mortgage and construction loans | \$ 240,571 | \$ 218,337 |
| Line of credit and other debt | 247,188 | 75,375 |
| Accounts payable and accrued expenses | 57,297 | 45,634 |
| Construction billings in excess of cost and earnings | 1,799 | 49 |
| Other liabilities | 15,423 | 12,023 |
| Total liabilities | 562,278 | 351,418 |
| Commitments and contingencies | | |
| Equity: | | |
| Preferred stock, \$0.01 par value, 50,000,000 and 10,000,000 shares authorized: | | |
| 8.00% Series A Cumulative Redeemable Preferred Stock (liquidation preference \$25.00 per share), 2,300,000 issued and outstanding at September 30, 2013 and December 31, 2012 | 23 | 23 |
| Common stock, \$0.01 par value, 500,000,000 and 90,000,000 shares authorized, 64,512,286 and 38,558,048 shares issued and outstanding at September 30, | 645 | 386 |

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| 2013 and December 31, 2012, respectively | | |
|---|--------------|------------|
| Additional common and preferred paid-in capital | 678,505 | 377,180 |
| Accumulated deficit and distributions | (61,510) | (37,047) |
| Accumulated other comprehensive income (loss) | 88 | (58) |
| Total Campus Crest Communities, Inc. stockholders' equity | 617,751 | 340,484 |
| Noncontrolling interests | 4,723 | 4,418 |
| Total equity | 622,474 | 344,902 |
| Total liabilities and equity | \$ 1,184,752 | \$ 696,320 |

See accompanying notes to condensed consolidated financial statements.

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

| | Three Months Ended | | Nine Months Ended | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2013 | September 30, 2012 | September 30, 2013 | September 30, 2012 |
| Revenues: | | | | |
| Student housing rental | \$ 24,496 | \$ 21,449 | \$ 70,960 | \$ 57,160 |
| Student housing services | 972 | 934 | 2,934 | 2,430 |
| Development, construction and management services | 14,778 | 12,103 | 40,573 | 43,162 |
| Total revenues | 40,246 | 34,486 | 114,467 | 102,752 |
| Operating expenses: | | | | |
| Student housing operations | 11,381 | 10,123 | 33,438 | 27,631 |
| Development, construction and management services | 14,028 | 11,374 | 38,343 | 40,260 |
| General and administrative | 2,424 | 1,972 | 8,076 | 6,517 |
| Transaction costs | 247 | - | 835 | - |
| Ground leases | 54 | 54 | 162 | 163 |
| Depreciation and amortization | 6,126 | 5,799 | 19,224 | 17,528 |
| Total operating expenses | 34,260 | 29,322 | 100,078 | 92,099 |
| Equity in earnings of unconsolidated entities | 1,302 | 86 | 3,608 | 283 |
| Operating income | 7,288 | 5,250 | 17,997 | 10,936 |
| Nonoperating income (expense): | | | | |
| Interest expense, net | (3,091) | (2,623) | (8,764) | (8,395) |
| Change in fair value of interest rate derivatives | - | (57) | (73) | (160) |
| Other income (expense) | 696 | - | 1,494 | (75) |
| Gain on purchase of previously unconsolidated entities | - | 6,554 | - | 6,554 |
| Total nonoperating income (expense), net | (2,395) | 3,874 | (7,343) | (2,076) |
| Net income before income taxes | 4,893 | 9,124 | 10,654 | 8,860 |
| Income tax (expense) benefit | (40) | (74) | 306 | (330) |
| Net income | 4,853 | 9,050 | 10,960 | 8,530 |
| Net income attributable to noncontrolling interests | 26 | 61 | 51 | 38 |
| Dividends on preferred stock | 1,150 | 1,150 | 3,450 | 2,964 |
| Net income attributable to common stockholders | \$ 3,677 | \$ 7,839 | \$ 7,459 | \$ 5,528 |
| Net income per share attributable to common stockholders - basic and diluted: | \$ 0.06 | \$ 0.20 | \$ 0.13 | \$ 0.16 |
| Weighted-average common shares outstanding: | | | | |
| Basic | 64,518 | 38,479 | 58,461 | 33,514 |
| Diluted | 64,953 | 38,915 | 58,896 | 33,950 |
| Distributions per common share | \$ 0.165 | \$ 0.16 | \$ 0.495 | \$ 0.48 |

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Condensed consolidated statements of comprehensive income :

| | | | | |
|---|----------|----------|-----------|----------|
| Net income | \$ 4,853 | \$ 9,050 | \$ 10,960 | \$ 8,530 |
| Foreign currency translation | 88 | - | 88 | - |
| Change in fair value of interest rate derivatives | - | 100 | 59 | 221 |
| Comprehensive income | 4,941 | 9,150 | 11,107 | 8,751 |
| Comprehensive income attributable to noncontrolling interests | 26 | 61 | 51 | 40 |
| Dividends on preferred stock | 1,150 | 1,150 | 3,450 | 2,964 |
| Comprehensive income attributable to common stockholders | \$ 3,765 | \$ 7,939 | \$ 7,606 | \$ 5,747 |

See accompanying notes to condensed consolidated financial statements.

CAMPUS CREST COMMUNITIES, INC.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (DEFICIT)
(In thousands)
(Unaudited)

| | Campus Crest Communities, Inc. Stockholders' Equity | | | | | | | |
|---|--|-----------------|---------------------------------------|--------------------------------------|--|-------------------------------|-----------------------------|-----------------|
| | Series A Cumulative Redeemable Preferred Stock | Common Stock | Additional Preferred in Capital | Paid Deficit and Distributions | Accumulated Other Comprehensive Income (Loss) | Total Stockholders' Equity | Noncontrolling Interests | Total Equity |
| Balance at December 31, 2012 | \$ 23 | \$ 386 | \$ 377,180 | \$ (37,047) | \$ (58) | \$ 340,484 | \$ 4,418 | \$ 344,902 |
| Net proceeds of sale of common stock | - | 255 | 299,446 | - | - | 299,701 | - | 299,701 |
| Issuance of restricted stock | - | 4 | (4) | - | - | - | - | - |
| Amortization of restricted stock awards and operating partnership units | - | - | 1,883 | - | - | 1,883 | 468 | 2,351 |
| Dividends on preferred stock | - | - | - | (3,450) | - | (3,450) | - | (3,450) |
| Dividends on common stock | - | - | - | (31,922) | - | (31,922) | - | (31,922) |
| Dividends to noncontrolling interests | - | - | - | - | - | - | (215) | (215) |
| Change in fair value of interest rate derivatives | - | - | - | - | 58 | 58 | 1 | 59 |
| Foreign currency translation | - | - | - | - | 88 | 88 | - | 88 |
| Net income | - | - | - | 10,909 | - | 10,909 | 51 | 10,960 |
| Balance at September 30, 2013 | \$ 23 | \$ 645 | \$ 678,505 | \$ (61,510) | \$ 88 | \$ 617,751 | \$ 4,723 | \$ 622,474 |

See accompanying notes to condensed consolidated financial statements.

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

| | Nine Months Ended September 30, 2013 | September 30, 2012 |
|---|--|-----------------------|
| Operating activities: | | |
| Net income | \$ 10,960 | \$ 8,530 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 19,224 | 17,528 |
| Impairment of damaged assets | 3,312 | - |
| Amortization of deferred financing costs | 1,089 | 2,341 |
| Gain on purchase of previously unconsolidated entities | - | (6,554) |
| Loss on disposal of assets | - | 149 |
| Provision for bad debts | 1,835 | 1,345 |
| Equity in (earnings) loss of unconsolidated entities | (3,608) | 135 |
| Distributions of earnings from unconsolidated entities | 305 | 237 |
| Share-based compensation expense | 2,352 | 762 |
| Changes in operating assets and liabilities: | | |
| Restricted cash | (723) | (1,876) |
| Student receivables | (3,270) | (1,966) |
| Construction billings | (7,922) | (6,429) |
| Accounts payable and accrued expenses and other liabilities | 19,528 | 5,293 |
| Other | (10,698) | 3,447 |
| Net cash provided by operating activities | 32,384 | 22,942 |
| Investing activities: | | |
| Investments in development in process | (102,928) | (84,174) |
| Investments in student housing properties | (7,835) | (6,074) |
| Insurance proceeds received for damaged assets | 1,000 | - |
| Acquisitions of previously unconsolidated entities, net of cash acquired | - | (15,877) |
| Acquisitions of student housing properties, net of cash acquired | (13,801) | - |
| Investments in unconsolidated entities | (300,889) | (3,072) |
| Capital distributions from unconsolidated entities | 4,098 | 2,994 |
| Issuance of notes receivable | (31,700) | - |
| Other capital expenditures | (12,122) | (980) |
| Change in restricted cash | (3,544) | - |
| Net cash used in investing activities | (467,721) | (107,183) |
| Financing activities: | | |
| Proceeds from mortgage and construction loans | 35,730 | 79,121 |
| Repayments of mortgage and construction loans | (13,496) | (76,722) |
| Proceeds from line of credit and other debt | 189,376 | 43,900 |
| Repayments of line of credit and other debt | (18,182) | (66,078) |
| Debt issuance costs | (863) | (1,028) |
| Dividends paid to common stockholders | (36,399) | (14,858) |
| Dividends paid to preferred stockholders | (3,450) | (2,006) |
| Dividends to noncontrolling interests | (215) | (211) |

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| | | |
|--|-----------|-----------|
| Proceeds from sale of preferred stock | - | 57,500 |
| Proceeds from sale of common stock | 312,736 | 75,573 |
| Payment of offering costs | (13,035) | (5,701) |
| Net cash provided by financing activities | 452,202 | 89,490 |
| Net change in cash and cash equivalents | 16,865 | 5,249 |
| Cash and cash equivalents at beginning of period | 5,970 | 10,735 |
| Cash and cash equivalents at end of period | \$ 22,835 | \$ 15,984 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for interest, net of amounts capitalized | \$ 8,398 | \$ 7,820 |
| Cash paid for income taxes | 145 | 571 |
| Non-cash investing and financing activity: | | |
| Common and preferred stock dividends declared but not paid | \$ 11,687 | \$ 6,002 |
| Assumption of mortgage debt related to purchase of previously unconsolidated entities | - | 27,299 |
| Change in payables related to dividends to common and preferred stockholders and noncontrolling interest | 4,477 | 2,206 |
| Change in payables related to capital expenditures | 1,194 | 1,781 |
| Change in payables related to investment in unconsolidated entities | 6,588 | 2,893 |

See accompanying notes to condensed consolidated financial statements.

CAMPUS CREST COMMUNITIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Organization and Description of Business

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

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

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

As of September 30, 2013, we owned interests in 45 operating student housing Grove properties containing approximately 9,038 apartment units and 24,640 beds. Thirty-five of our Grove properties are wholly-owned and ten of our Grove properties are owned through joint ventures with Harrison Street Real Estate Capital (“HSRE”) or HSRE and Brandywine Realty Trust (“Brandywine”). As of September 30, 2013, we also owned interests in 35 operating student housing Copper Beech (see Note 4) properties, containing approximately 6,242 units and 16,645 beds and one wholly owned redevelopment property containing approximately 382 units and 629 beds. Our portfolio consists of the following:

Properties in