

GMH Communities Trust
Form 10-Q
May 12, 2008

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2008

**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 001-32290

GMH COMMUNITIES TRUST

(Exact Name of Registrant as Specified in Its Charter)

Maryland
(State or other Jurisdiction of
Incorporation or Organization)

201181390
(IRS Employer Identification No.)

10 Campus Boulevard, Newtown Square, PA
(Address of Principal Executive Offices)

19073
(Zip Code)

Registrant's Telephone Number, Including Area Code (610) 355-8000

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

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to such filing requirements for the past 90 days. Yes 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 definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

On May 9, 2008, 41,669,879 of the registrant's common shares of beneficial interest, \$0.001 par value, were outstanding.

**GMH COMMUNITIES TRUST
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Cautionary Note Regarding Forward-Looking Statements

Sale of Military Housing Division

On April 30, 2008, GMH Communities Trust, referred to throughout this report as we or the Company, completed the sale of our former military housing division, GMH Military Housing, to a U.S. subsidiary of Balfour Beatty plc, a UK-based company, referred to in this report as the Military Housing Sale. Under the terms of the Securities Purchase Agreement covering the sale transaction, Balfour Beatty purchased all of the issued and outstanding equity interests in the subsidiaries representing the Company's military housing division for a total cash purchase price of \$350.5 million. Approximately \$62.1 million of the proceeds were used to repay and terminate the Company's Note Facility with Merrill Lynch, Pierce, Fenner & Smith Incorporated, or Merrill Lynch. As previously announced, the Company intends to make two separate special distributions to its shareholders and the unitholders of GMH Communities, LP, referred to as our Operating Partnership. Our Board of Trustees has declared an initial special distribution of \$3.10 per share/unit to our shareholders and unitholders of our Operating Partnership, which represents a substantial portion of the net proceeds from the Military Housing Sale. This distribution will be payable on May 15, 2008 to shareholders and unitholders of record as of the close of business on May 10, 2008. The initial distribution will total approximately \$221.1 million in the aggregate. The remainder of the proceeds from the Military Housing Sale is being retained as a reserve fund, pending the closing of our proposed merger with American Campus Communities, Inc., or ACC, and referred to throughout this report as the Merger. The Merger is currently anticipated to occur during the second quarter of 2008, subject to approval of the Company's shareholders and assuming that the other conditions in the merger agreement with ACC are satisfied or waived. Immediately prior to the proposed merger with ACC, it is currently anticipated that there will be a second special distribution to shareholders and unitholders of approximately \$0.98 per share/unit payable, comprised of the remaining net proceeds from the Military Housing Sale that were previously held in reserve.

The remainder of this report provides disclosures of our business relating to the first quarter of 2008, during which time the military housing division was still part of our business. Where this report requires that we discuss historical operations prior to April 30, 2008, we have included references to operations of the military housing division. References to future periods and results or expectations of the Company, however, will exclude the military housing division and its activities.

Our disclosure and analysis in this document and in the documents that are or will be incorporated by reference into this document contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Forward-looking statements provide our current expectations or forecasts of future events and are not statements of historical fact. These forward-looking statements include information about possible or assumed future events, including, among other things, operating or financial performance, strategic plans and objectives, or regulatory or competitive environments. The disclosures contained throughout this report will refer to our business as an ongoing operation with the impact of the Merger not considered unless otherwise noted.

Statements regarding the following subjects are forward-looking by their nature:

- the expected closing of the Merger as described in the section of this report titled *Management's Discussion and Analysis of Financial Condition and Results of Operations* in Part I, Item 2;
- our ability to successfully implement our current business strategy, including our ability to acquire and manage student housing properties;

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- our projected operating results and financial condition;
- completion of any of our targeted acquisitions or development projects, sales of assets, refinancings or joint venture transactions within our expected timeframe or at all;
- our ability to obtain future financing arrangements on terms acceptable to us, or at all;
- estimates relating to, and our ability to pay, future dividends;

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- our ability to qualify as a REIT for federal income tax purposes;
- our understanding of our competition, market opportunities and trends;
- projected timing and amounts of capital expenditures; and
- the impact of technology on our properties, operations and business.

The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. These beliefs, assumptions and expectations can change as a result of many possible events or factors, not all of which are known to us. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. Factors that could cause actual results to differ materially from our management's current expectations include, but are not limited to:

- failure to satisfy conditions to the completion of the Merger, including receipt of approval from our shareholders relating to the Merger; occurrence of any effect, event, development or change that could give rise to the termination of the agreement relating to the Merger; the failure of the Merger, or any of its components, to close for any other reason; risks that the Merger disrupts current plans and operations, including potential difficulties in employee retention; and the amount of the costs, fees, expenses and charges related to the Merger;
- the factors referenced in the sections of this report under *Management's Discussion and Analysis of Financial Condition and Results of Operations* in Part I, Item 2;
- changes in our business strategy, including acquisition, sales, and development activities;
- availability, terms and deployment of capital, including equity and debt financing;
- availability of qualified and/or sufficient personnel, including, but not limited to, within our accounting staff;
- failure to effectively remediate any deficiencies or material weaknesses in our disclosure controls and procedures and internal control over financial reporting, or failure to identify additional material weaknesses and deficiencies in our disclosure controls and procedures and internal control over financial reporting that could occur in the future;

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- the adverse effects of pending litigation or any investigation of the Company by the SEC;
- unanticipated costs associated with the acquisition and integration of our student housing property acquisitions and development projects;
- changes in student population enrollment at colleges and universities or adverse trends in the off-campus student housing market;
- changes in the student housing industry, interest rates or the general economy;
- changes in local real estate conditions (including changes in rental rates and the number of competing properties) and the degree and nature of our competition;
- failure to lease unoccupied space in accordance with management's projections;
- potential liability under environmental or other laws; and
- the existence of complex regulations relating to our status as a REIT and the adverse consequences of our failure to qualify as a REIT.

When we use the words believe, expect, may, potential, anticipate, estimate, plan, will, could, intend or similar expressions, we are making forward-looking statements. You should not place undue reliance on

these forward-looking statements. We are not obligated to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent otherwise required by law.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

GMH COMMUNITIES TRUST
CONSOLIDATED BALANCE SHEETS
(in thousands, except par value and number of shares)

	March 31, 2008 (unaudited)	December 31, 2007
ASSETS		
Real estate investments:		
Student housing properties	\$ 1,420,396	\$ 1,419,894
Accumulated depreciation	100,712	95,830
	1,319,684	1,324,064
Corporate assets:		
Corporate assets	9,983	10,142
Accumulated depreciation	1,636	1,582
	8,347	8,560
Cash and cash equivalents	7,017	15,727
Restricted cash	21,605	20,816
Accounts and other receivables, net:		
Related party	1,042	23,288
Third party	4,229	4,824
Investments in joint ventures:		
Military housing projects		70,264
Student Housing projects	1,261	1,284
Deferred contract costs		1,883
Deferred financing costs, net	3,841	4,338
Lease intangibles, net	20	40
Deposits	534	629
Assets held for sale	97,506	
Other assets	8,995	13,129
Total assets	\$ 1,474,081	\$ 1,488,846
LIABILITIES AND BENEFICIARIES EQUITY		
Mortgage notes payable	\$ 960,236	\$ 961,531
Line of credit	55,105	53,605
Accounts payable	2,495	10,263
Accrued expenses	22,630	30,448
Dividends and distributions payable	11,767	11,759
Liabilities related to assets held for sale	14,092	
Other liabilities	9,542	17,738
Total liabilities	1,075,867	1,085,344
Minority interest	134,247	136,422
Commitments and contingencies (Note 9)		
Beneficiaries' equity:		
Common shares of beneficial interest, \$0.01 par value; 500,000,000 shares authorized, 41,669,879 issued and outstanding at March 31, 2008, and 41,621,594 issued and outstanding at December 31, 2007	42	42

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Preferred shares 100,000,000 shares authorized, no shares issued or outstanding		
Additional paid-in capital	331,258	331,155
Cumulative earnings	36,415	32,755
Cumulative dividends	(103,748)	(96,872)
Total beneficiaries equity	263,967	267,080
Total liabilities and beneficiaries equity	\$ 1,474,081	\$ 1,488,846

See accompanying notes to consolidated financial statements.

GMH COMMUNITIES TRUST
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited and in thousands, except share and per share information)

Three Months Ended March 31,
2008 **2007**