GMH Communities Trust Form 10-Q September 15, 2006

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2006

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 to such filing requirements for the past 90 days. Yes o No x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one)								
Large accelerated filer O	Accelerated filer X	Non-accelerated filer o						
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).								
Yeso No x								

On September 15, 2006, 41,567,146 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

Our disclosure and analysis in this document contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. 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. Statements regarding the following subjects are forward-looking by their nature:

our ability to successfully implement our business strategy, including our ability to acquire and manage student housing properties and to secure and operate military housing privatization projects;
our projected operating results and financial condition;
completion of any of our targeted acquisitions or development projects 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;
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;
our ability to successfully implement remedial measures that will effectively address material weaknesses and

significant deficiencies that have been identified with respect to our disclosure controls and internal controls over

financial reporting; 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:

the factors referenced in the section of our Annual Report on Form 10-K for the year ended December 31, 2005 titled *Risk Factors* and in the section of this report titled *Management s Discussion and Analysis of Financial Condition and Results of Operations*;

changes in our business strategy, including acquisition 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, within our finance and accounting staff;

failure to effectively remediate existing material weaknesses and significant deficiencies in our disclosure controls and internal controls over financial reporting, including through the implementation of such measures as discussed in the section of our Annual Report on Form 10-

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K for the year ended December 31, 2005 titled <i>Controls and Procedures</i> under Item 9A of that report, or failure to identify additional material weaknesses and significant deficiencies in our disclosure controls and internal controls over financial reporting that could occur in the future;
the adverse effects of pending litigation or any investigation of the Company by the United States Securities and Exchange Commission, or SEC;
unanticipated costs associated with the acquisition and integration of our student housing property acquisitions and development projects, and military housing privatization projects;
the effects of military base realignment and closures, or deployments, on installations covered by our military housing privatization projects;
high leverage on the entities that own the military housing privatization projects;
reductions in government military spending;
changes in student population enrollment at colleges and universities or adverse trends in the off-campus student housing market;
changes in the student and military housing industry, interest rates or the general economy;
changes in the student and inintary nousing industry, interest rates of 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;
changes in local real estate conditions (including changes in rental rates and the number of competing properties) 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, of 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.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

GMH COMMUNITIES TRUST

CONSOLIDATED BALANCE SHEETS

(in thousands, except par value and number of shares)

ASSETS Real estate investments: Student housing properties \$ 1,356,654 \$ 1,210,255 Accumulated depreciation 46,297 29,039 Corporate assets: 8,858 8,178 Corporate assets 8,858 8,788 Accumulated depreciation 733 565 Cash and cash equivalents 4,668 2,240 Restricted cash 13,965 11,625 Accounts and other receivables, net: 8,858 18,356 19,191 Play aptry 2,911 2,925 2,911 2,925 Accounts and other receivables, net: 8,356 19,191 2,925 1,102 2,925 1,102 2,925 1,102 2,925 2,911 2,925 2,911 2,925 2,911 2,925 2,911 2,925 2,911 2,925 2,911 2,925 2,911 2,925 2,911 2,925 3,828 1,962 3,828 1,962 3,828 2,911 2,925 2,911 2,925 3,828 1,962 3,946 3,945 3,828	A CODITIO		June 30, 2006 (unaudited)		December 31, 2005	
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41,526,198 issued and outstanding at June 30, 2006, and 39,699,843 issued and outstanding at December 31, 2005 Preferred shares 100,000,000 shares authorized, no shares issued or outstanding Additional paid-in capital 325,165 325,455						
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Preferred shares 100,000,000 shares authorized, no shares issued or outstanding Additional paid-in capital 325,165 325,455			40		40	
Additional paid-in capital 325,165 325,455			+0		+0	
			325 165		325.455	
	Unearned share compensation		525,105		(320)	

Cumulative earnings	6,909	6,310
Cumulative dividends	(53,098)	(34,619)
Total beneficiaries equity	279,016	296,866
Total liabilities and beneficiaries equity	\$ 1,416,585	\$ 1,277,951

See accompanying notes to consolidated financial statements.

GMH COMMUNITIES TRUST

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited and in thousands, except share and per share information)

D		Three Months I 2006		June 30, 2005 (Restated)		Six Months E 2006		une 30, 2005 (Restated)
Revenue:	¢.	44,033	¢	29,763	\$	88.070	\$	55 CO4
Rent and other property income	\$	44,033	\$	29,763	Э	88,070	Þ	55,604
Expense reimbursements:		17,675		12,369		31,055		20,456
Related party Third party		1,389		1,303		2.725		2,577
Management fees:		1,369		1,303		2,723		2,377
Related party		2,101		1,543		4,140		3,330
Third party		647		1,008		1,655		1,545
Other fee income-related party		5,581		3,619		10,261		6,954
Other income		53		56		10,201		167
Total revenue		71,479		49,661		138,050		90,633
Operating Expenses:		71,479		49,001		136,030		90,033
Property operating expenses		19,730		12,130		37,935		22,198
Reimbursed expenses		19,064		13,672		33,780		23,033
Real estate taxes		4,377		3,143		8,578		5,155
Administrative expenses		4,535		2,834		8,300		5,776
Audit Committee and Special Committee expenses		2,301		2,031		4,876		3,770
Depreciation and amortization		10,715		8,683		21,064		16,408
Interest		11,676		6,901		22,630		12,258
Total operating expenses		72,398		47,363		137,163		84,828
(Loss) income before equity in earnings of unconsolidated		, , , , , , , , , , , , , , , , , , , ,		.,		,		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
entities, income taxes and minority interest		(919)		2,298		887		5,805
Equity in earnings of unconsolidated entities		1,174		455		2,390		941
Income before income taxes and minority interest		255		2,753		3,277		6,746
Income taxes		1,214		1,118		2,187		2,258
(Loss) income before minority interest		(959)		1,635		1,090		4,488
Minority interest		(418)		809		491		2,217
Net (loss) income	\$	(541)	\$	826	\$	599	\$	2,271
Earnings (loss) per common share basic	\$	(0.01)	\$	0.03	\$	0.01	\$	0.07
Earnings (loss) per common share diluted	\$	(0.01)	\$	0.03	\$	0.01	\$	0.07
Weighted-average shares outstanding during the period:								
Basic		40,872,036		30,350,989		40,275,829		30,350,989
Diluted		73,097,859		61,878,439		73,537,988		61,806,301
Common share dividend declared per share	\$	0.2275	\$	0.2275	\$	0.4550	\$	0.4550

See accompanying notes to consolidated financial statements.

GMH COMMUNITIES TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited and in thousands)

	Six Months Ended June 30, 2006 2005 (Restated)		
Cash flows from operating activities:			
Net income	\$ 599	\$	2,271
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	17,431		11,124
Amortization:			
Lease intangibles	3,400		5,230
Investment in military housing projects	233		54
Notes payable fair value adjustment	(1,251)		(1,093)
Deferred loan costs	666		574
Restricted shares	75		46
Allowance for doubtful accounts	957		446
Equity in earnings of unconsolidated entities in excess of distributions received	(1,818)		(477)
Minority interest	491		2,217
Changes in operating assets and liabilities:			
Restricted cash	(2,340)		(6,517)
Accounts and other receivables	(108)		(7,840)
Deferred contract costs	(823)		(708)
Deposits and other assets	(5,019)		(2,882)
Accounts payable	(973)		(734)
Accrued expenses and other liabilities	9,546		10,486
Net cash provided by operating activities	21,066		12,197
Cash flows from investing activities:			
Property acquisitions	(75,429)		(213,697)
Capitalized expenditures	(25,561)		(474)
Distributions received from unconsolidated entities in excess of earnings			3,901
Net cash used in investing activities	(100,990)		(210,270)
Cash flows from financing activities:			