

GMH Communities Trust  
Form 10-Q  
May 10, 2005

**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 March 31, 2005**

o **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**

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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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes  No

On March 31, 2005, 30,374,551 of the registrant's common shares of beneficial interest, \$0.001 par value, were outstanding. This amount includes 23,562 restricted common shares that are considered outstanding for voting purposes and are eligible to receive dividend distributions payable to common shareholders, but are not considered outstanding under generally accepted accounting principles for purposes of the financial statements included in this report.

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**GMH COMMUNITIES TRUST**

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**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Our disclosure and analysis in this report 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;

our projected operating results and financial condition;

our ability to acquire and manage student housing properties and to secure and operate military housing privatization projects;

completion of any of our targeted acquisitions or developments 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 real estate investment trust ( REIT ) for federal income tax purposes;

our understanding of our competition;

market opportunities and trends;

projected 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:

the factors referenced in our most recent Annual Report on Form 10-K, including those set forth under the sections of the annual report titled Risk Factors, Management's Discussion and Analysis of Financial Condition and Results of Operations and Our Business ;

changes in our business strategy, including acquisition activities;

availability, terms and deployment of capital, including equity and debt financing;

availability of qualified personnel;

unanticipated costs associated with the acquisition and integration of our student housing property acquisitions and military housing privatization projects;

the possibility of military base realignment and closures;

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 local real estate conditions (including changes in rental rates and the number of competing properties) and the degree and nature of our competition;

our 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

## CONDENSED CONSOLIDATED BALANCE SHEETS

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

	March 31, 2005	December 31, 2004
<b>ASSETS</b>		
Real estate investments:		
Student housing properties	\$ 812,242	\$ 638,635
Accumulated depreciation	8,135	3,905
	804,107	634,730
Corporate assets:		
Corporate assets	7,568	11,625
Accumulated depreciation	231	241
	7,337	11,384
Cash and cash equivalents	14,681	60,926
Restricted cash	5,604	2,313
Accounts and other receivables, net:		
Related party	10,997	9,309
Third party	2,911	2,257
Investments in military housing projects	40,984	39,482
Deferred contracts costs	744	126
Deferred financing costs, net	3,295	2,820
Lease intangibles, net	4,031	4,994
Deposits	561	1,848
Other assets	2,776	2,872
Total assets	\$ 898,028	\$ 773,061
<b>LIABILITIES AND BENEFICIARIES EQUITY</b>		
Notes payable	\$ 433,799	\$ 370,007
Line of credit	60,000	
Accounts payable:		
Related party	16	277
Third party	751	1,160
Accrued expenses	13,459	9,308
Dividends and distributions payable	13,634	9,583
Other liabilities	6,768	4,907
Total liabilities	528,427	395,242
Minority interest	178,906	182,118
Beneficiaries equity:		
Common shares of beneficial interest, \$0.001 par value; 500,000,000 shares authorized, 30,350,989 issued and outstanding at March 31, 2005 and December 31, 2004	30	30
Preferred shares 100,000,000 shares authorized, no shares issued or outstanding		
Additional paid-in capital	200,363	200,276
Cumulative earnings	2,068	251
Cumulative dividends	(11,766)	(4,856)

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Total beneficiaries equity		190,695		195,701
Total liabilities and beneficiaries equity	\$	898,028	\$	773,061

*See accompanying notes to condensed consolidated and combined financial statements.*



**GMH COMMUNITIES TRUST AND THE GMH PREDECESSOR ENTITIES**  
**CONDENSED CONSOLIDATED AND COMBINED STATEMENTS OF OPERATIONS**

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

	<b>Three Months Ended March 31,</b>	
	<b>2005</b>	<b>2004</b>
	<b>(Company)</b>	<b>(Predecessor)</b>
<b>Revenue:</b>		
Rent and other property income	\$ 25,841	\$ 134
Expense reimbursements:		
Related party	8,740	1,731
Third party	1,274	1,341
Management fees:		
Related party	1,867	881
Third party	640	1,013
Other fee income-related party	3,731	
Other income	111	217
Total revenue	42,204	5,317
<b>Operating Expenses:</b>		
Property operating expenses	10,693	2,472
Reimbursed expenses	10,014	3,072
Real estate taxes	2,007	21
Administrative expenses	2,933	225
Depreciation and amortization	6,774	205
Interest	5,407	89
Total operating expenses	37,828	6,084
Income (loss) before minority interest and income taxes	4,376	(767)
Minority interest	1,773	
Income (loss) before income taxes	2,603	(767)
Income taxes	785	
Net income (loss)	\$ 1,818	\$ (767)
Earnings per common share basic	\$ 0.06	
Earnings per common share diluted	\$ 0.06	
Weighted-average shares outstanding during the period:		
Basic	30,350,989	
Diluted	61,642,027	
Common share dividend declared per share	\$ 0.2275	

*See accompanying notes to condensed consolidated and combined financial statements.*

## GMH COMMUNITIES TRUST AND THE GHM PREDECESSOR ENTITIES

## CONDENSED CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS

(Unaudited and in thousands)

	Three Months Ended March 31,	
	2005 (Company)	2004 (Predecessor)
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 1,818	\$ (767)
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Depreciation	4,441	205
Amortization:		
Lease intangibles	2,333	
Notes payable fair value adjustment	(547)	
Deferred loan costs	349	5
Restricted shares	25	
Allowance for doubtful accounts	(47)	
Income from investments in military housing projects	(462)	
Minority interest	1,773	
Changes in operating assets and liabilities:		
Restricted cash	(3,290)	
Accounts and other receivables	(2,757)	(469)
Deferred contract costs	(618)	(315)
Other assets	829	(334)
Accounts payable	(670)	
Accrued expenses	3,921	1,259
Other liabilities	1,861	
Net cash from operating activities	8,959	(416)
<b>Cash flows from investing activities:</b>		
Property acquisitions	(123,067)	
Capitalized expenditures	(244)	
Net cash from investing activities	(123,311)	
<b>Cash flows from financing activities:</b>		
Common share dividends	(4,858)	
Limited partnership unit distributions	(4,729)	
Owner distributions		(1,749)
Owner contributions		1,918
Proceeds from line of credit	105,000	
Repayment of line of credit	(45,000)	
Proceeds from notes payable	40,560	
Repayment of notes payable	(22,041)	(226)
Payment of financing costs	(825)	
Net cash from financing activities	68,107	(57)
Net decrease in cash and cash equivalents	(46,245)	(473)
Cash and cash equivalents, beginning of period	60,926	516
Cash and cash equivalents, end of period	\$ 14,681	\$ 43
<b>Supplemental information:</b>		
Real estate acquired by assuming debt	\$ 47,964	
Issuance of units of limited partnership interest for purchase of student housing properties	\$ 1,655	
Property distributed at net book value	\$ 4,208	
Debt distributed at net book value	\$ 3,854	
Cash paid for interest	\$ 5,279	\$ 89

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Cash paid for taxes	\$	309
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*See accompanying notes to condensed consolidated and combined financial statements.*

**GMH COMMUNITIES TRUST AND THE GMH PREDECESSOR ENTITIES**

Notes to Condensed Consolidated and Combined Financial Statements

March 31, 2005

(Unaudited)

**1. Organization and Basis of Presentation**

*Organization*

Management of the Trust (defined below) and The GMH Predecessor Entities (defined below) has prepared these condensed consolidated and combined financial statements pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or combined pursuant to such rules and regulations, although we believe that the disclosures are adequate to make the information presented not to be misleading. The condensed consolidated and combined financial statements should be read in conjunction with the audited financial statements and the notes thereto of the Trust and The GMH Predecessor Entities included in the Trust's Annual Report on Form 10-K as filed with the SEC on March 31, 2005. In management's opinion, all adjustments, consisting solely of normal recurring adjustments, necessary to present fairly the consolidated financial position of the Trust and the consolidated and combined results of operations and cash flows of the Trust and The GMH Predecessor Entities, are included. The results of operations for such interim periods are not necessarily indicative of the results for the full year.

GMH Communities Trust (the "Trust", and collectively with its subsidiaries, we or the "Company") intends to qualify as a real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended (the "Code"). We completed our initial public offering on November 2, 2004, pursuant to which we sold an aggregate of 30,350,989 common shares of beneficial interest at an offering price of \$12.00 per share, and raised an aggregate of \$331.7 million in net proceeds, after deducting the underwriters' discount, and other offering-related expenses. The Trust was formed as a Maryland real estate investment trust in May 2004, and prior to completion of our initial public offering, the Trust had no operations. We contributed the net proceeds from the offering to our operating partnership, GMH Communities, LP, a Delaware limited partnership (the "Operating Partnership"), in exchange for units of partnership interest. As of March 31, 2005, the Operating Partnership had 60,034,498 units of partnership interest outstanding, of which the Trust owned 29,769,820 units of limited partnership interest, and through a wholly-owned subsidiary, GMH Communities GP Trust, the Trust owned 581,169 units of general partnership interest which represents 100% of the general partnership interest in the Operating Partnership. As of March 31, 2005, there were 29,683,509 units of limited partnership interest outstanding that were not owned by the Company.

We, through the Operating Partnership and its subsidiaries, are a self-advised, self-managed, specialty housing company that focuses on providing housing to college and university students residing off-campus and to members of the U.S. military and their families located on or near military bases throughout the United States. Through our Operating Partnership, we own and operate our student housing properties and the interests in joint ventures that own military housing privatization projects ( "military housing projects").