

GMH Communities Trust
Form 424B3
November 09, 2007

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Filed pursuant to 424(b)(3)
Registration No. 333-142395

PROSPECTUS SUPPLEMENT NO. 2
(To Prospectus dated June 8, 2007)

GMH COMMUNITIES TRUST

34,141,864 Common Shares of Beneficial Interest

This Prospectus Supplement No. 2 supplements the prospectus dated June 8, 2007, and the prospectus supplement dated August 15, 2007 ("Prospectus Supplement No. 1"), relating to the registration of 34,141,864 common shares of beneficial interest under Form S-11 (333-142395) that certain selling shareholders named in the prospectus may offer for sale from time to time. This prospectus supplement includes the attached Quarterly Report on Form 10-Q of GMH Communities Trust for the quarter ended September 30, 2007 filed by us with the Securities and Exchange Commission. This prospectus supplement is incorporated by reference into the prospectus.

The information contained in this prospectus supplement supplements and supercedes, in part, the information contained in the prospectus and Prospectus Supplement No. 1. This prospectus supplement should be read in conjunction with the prospectus and Prospectus Supplement No. 1, and is qualified by reference to those documents except to the extent that the information in this prospectus supplement supercedes the information contained in those documents.

Investing in our common shares involves a high degree of risk. You should carefully consider the risk factors described under the heading "Risk Factors" beginning on page 6 of the prospectus before investing in our common shares.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus supplement is November 9, 2007

**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 September 30, 2007

**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 No

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

Accelerated filer

Non-accelerated filer

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

On November 8, 2007, 41,621,594 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 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, 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 student housing acquisitions or development projects, or commencement of operations for any of our pending military housing privatization 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 real estate investment trust, or REIT, for federal income tax purposes;

our understanding of our competition, market opportunities and trends;

projected timing and amounts of capital expenditures;

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 the 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 sections of this report titled "Our Business," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations";

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;

failure to identify significant deficiencies or material weaknesses in our disclosure controls and procedures and internal control over financial reporting that could occur in the future, and failure to effectively remediate any significant deficiencies

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or material weaknesses in our disclosure controls and procedures and internal control over financial reporting once identified;

the adverse effects of pending material litigation;

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

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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 our 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 markets where our properties or development projects are located;

changes in the student and military housing industries, 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 intend to identify forward-looking statements. You should not place undue reliance on these forward-looking statements. We undertake no obligation 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)

	September 30, 2007	December 31, 2006
	(unaudited)	
ASSETS		
Real estate investments:		
Student housing properties	\$ 1,413,790	\$ 1,659,422
Accumulated depreciation	85,406	66,855
	<u>1,328,384</u>	<u>1,592,567</u>
Corporate assets:		
Corporate assets	9,408	9,427
Accumulated depreciation	1,396	1,002
	<u>8,012</u>	<u>8,425</u>
Cash and cash equivalents	6,710	22,539
Restricted cash	20,805	16,955
Accounts and other receivables, net:		
Related party	18,565	17,131
Third party	6,560	2,762
Investments in joint ventures		
Military housing projects	51,666	37,987
Student housing properties	1,457	
Deferred contract costs	6,361	2,344
Deferred financing costs, net	4,686	5,103
Lease intangibles, net	50	2,468
Deposits	7,419	907
Other assets	6,951	4,802
	<u>1,467,626</u>	<u>1,713,990</u>
Total assets	\$ 1,467,626	\$ 1,713,990
LIABILITIES AND BENEFICIARIES' EQUITY		
Notes payable	\$ 962,913	\$ 1,028,290
Note facility and line of credit	32,905	199,435
Accounts payable	7,851	3,213
Accrued expenses	30,754	27,257
Dividends and distributions payable	11,759	12,077
Other liabilities	11,207	28,446
	<u>1,057,389</u>	<u>1,298,718</u>
Total liabilities	1,057,389	1,298,718
Minority interest	139,192	157,972
Commitments and contingencies (Note 10)		
Beneficiaries' equity:	42	42

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	September 30, 2007	December 31, 2006
Common shares of beneficial interest, \$0.001 par value; 500,000,000 shares authorized, 41,621,594 and 41,567,146 issued and outstanding at September 30, 2007, and December 31, 2006, respectively		
Preferred shares 100,000,000 shares authorized, no shares issued or outstanding		
Additional paid-in capital	331,099	325,347
Cumulative earnings	29,908	1,324
Cumulative dividends	(90,004)	(69,413)
	<hr/>	<hr/>
Total beneficiaries' equity	271,045	257,300
	<hr/>	<hr/>
Total liabilities and beneficiaries' equity	\$ 1,467,626	\$ 1,713,990
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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 September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Revenue:				
Rent and other property income	\$ 45,157	\$ 39,995	\$ 141,828	\$ 118,543
Expense reimbursements:				
Related party	18,286	17,309	52,324	48,364
Third party	2,459	3,270	6,971	6,857
Management fees:				
Related party	2,866	2,131	7,903	6,271
Third party	828	766	2,163	2,421
Other fee income-related party	9,202	5,616	22,775	15,877
Other income	176	110	601	250
Total revenue	78,974	69,197	234,565	198,583
Operating Expenses:				
Property operating expenses	25,995	23,553	68,052	56,862
Reimbursed expenses	20,745	20,579	59,295	55,221
Real estate taxes	3,929	3,869	13,324	11,529
Administrative expenses	3,834	4,123	12,610	13,134
Securities litigation and Audit/Special Committee expenses	1,638	1,822	2,227	6,698
Depreciation and amortization	10,798	9,632	33,911	28,756
Interest	14,072	12,129	47,292	33,271
Total operating expenses	81,011	75,707	236,711	205,471
Gain on sales to joint ventures	1,094		22,868	
Income (loss) from continuing operations before equity in earnings of unconsolidated entities, income taxes and minority interest	(943)	(6,510)	20,722	(6,888)
Equity in earnings of unconsolidated entities	890	460	3,149	2,850
Income (loss) from continuing operations before income taxes and minority interest	(53)	(6,050)	23,871	(4,038)
Income taxes	2,339	1,307	5,191	3,494
Income (loss) from continuing operations before minority interest	(2,392)	(7,357)	18,680	(7,532)
Minority interest (income) loss attributable to continuing operations	1,022	3,209	(8,082)	3,285
Net Income (loss) from continuing operations	(1,370)	(4,148)	10,598	(4,247)
Discontinued Operations:				
Income (loss) from discontinued operations before minority interest	60	(255)	2,224	1,010
Gain on sale of student housing properties	9,965		29,355	
Minority interest (income) loss attributable to discontinued operations	(4,282)	111	(13,593)	(456)
Income (loss) from discontinued operations	5,743	(144)	17,986	554

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	Three Months Ended September 30,		Nine Months Ended September 30,	
Net income (loss)	\$ 4,373	\$ (4,292)	\$ 28,584	\$ (3,693)
Earnings (loss) per common share-basic				
Continuing operations	\$ (0.03)	\$ (0.10)	\$ 0.26	\$ (0.10)
Discontinued operations	\$ 0.14	\$ 0.00	\$ 0.43	\$ 0.01
	\$ 0.11	\$ (0.10)	\$ 0.69	\$ (0.09)
Earnings (loss) per common share-diluted				
Continuing operations	\$ (0.03)	\$ (0.10)	\$ 0.26	\$ (0.10)
Discontinued operations	\$ 0.14	\$ 0.00	\$ 0.43	\$ 0.01
	\$ 0.11	\$ (0.10)	\$ 0.69	\$ (0.09)
Weighted-average shares outstanding during the period:				
Basic	41,552,942	41,491,841	41,517,441	40,678,959
Diluted	72,589,218	73,127,527	72,940,859	73,408,044
Common share dividend declared per share	\$ 0.165	\$ 0.2275	\$ 0.495	\$ 0.6825

See accompanying notes to consolidated financial statements.

GMH COMMUNITIES TRUST
CONSOLIDATED STATEMENT OF BENEFICIARIES' AND OWNER'S EQUITY
(in thousands, except number of shares and per share information)

	Common Shares	Par Value of Common Shares	Additional Paid-in Capital	Cumulative Earnings	Cumulative Dividends
Balance at December 31, 2006	41,567,146	\$ 42	\$ 325,347	\$ 1,324	\$ (69,413)
Dividends (\$0.495 per common share)					(20,591)
Shares issued to non-employee trustees	14,448				
Shares issued upon conversion of limited partnership units	40,000		212		
Redemption of limited partnership units			5,248		
Amortization of share compensation			292		
Net income for nine months ended September 30, 2007				28,584	
Balance at September 30, 2007	41,621,594	\$ 42	\$ 331,099	\$ 29,908	\$ (90,004)

GMH COMMUNITIES TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited and in thousands)

	Nine Months Ended September 30,	
	2007	2006
Cash flows from operating activities:		
Net income	\$ 28,584	\$ (3,693)
Minority interest	21,675	(2,829)
Adjustments to reconcile net income to net cash provided by operating activities from continuing operations:		
Gain on sales to joint ventures	(22,868)	
Gain on sale of student housing properties	(29,355)	
Depreciation	31,223	24,630
Amortization:		
Lease intangibles	2,257	4,416
Investment in military housing projects	411	318
Notes payable fair value adjustment	(2,394)	(1,879)
Deferred loan costs	2,610	1,027
Restricted shares	292	167
Allowance for doubtful accounts	1,284	2,213
Equity in earnings of unconsolidated entities in excess of distributions received	(953)	(667)
Changes in operating assets and liabilities from continuing operations:		
Restricted cash	(3,850)	(5,597)
Accounts and other receivables	(6,546)	39
Deferred contract costs	(4,017)	(696)
Deposits and other assets	(2,290)	(8,143)
Accounts payable	4,790	(1,434)
Accrued expenses and other liabilities	(2,395)	18,684
Net cash provided by discontinued operations	(515)	1,699
	17,943	28,255
Cash flows from investing activities:		
Property acquisitions	(5,965)	(119,035)
Property dispositions	133,717	
Capitalized expenditures	(10,187)	(38,983)
Distributions received in excess of earnings of unconsolidated entities	1,124	871
Investments and deposits in military housing projects	(20,600)	
Investment in student housing joint venture	(2,805)	
Discontinued operations	(101)	(345)
	95,183	(157,492)
Cash flows from financing activities:		
Owner distributions	(36,229)	(49,177)
Redemption of unitholders	(19,674)	(45)
Proceeds from note facility/line of credit	136,405	128,000
Repayment of note facility/line of credit	(302,935)	(36,000)
Proceeds from notes payable	144,297	95,567
Repayment of notes payable	(48,061)	(3,355)
Payment of financing costs	(2,572)	(844)
Discontinued operations	(186)	(42)
	(128,955)	134,104
Net increase (decrease) in cash and cash equivalents	(15,829)	4,867
Cash and cash equivalents, beginning of period	22,539	2,240
Cash and cash equivalents, end of period	\$ 6,710	\$ 7,107

