

GMH Communities Trust  
Form S-11  
April 26, 2007

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549**

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**FORM S-11**

**FOR REGISTRATION UNDER  
THE SECURITIES ACT OF 1933  
OF CERTAIN REAL ESTATE COMPANIES**

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**GMH Communities Trust**

(Exact name of registrant as specified in its governing instruments)

**10 Campus Boulevard, Newtown Square, Pennsylvania 19073  
(610) 355-8000**

(Address, including zip code, and telephone number, including  
area code, of registrant's principal executive offices)

**Joseph M. Macchione, Esquire  
Executive Vice President and General Counsel  
10 Campus Boulevard, Newtown Square, Pennsylvania 19073  
(610) 355-8000**

(Name, address, including zip code, and telephone number,  
including area code, of agent for service)

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*with copies to:*

**Justin W. Chairman, Esquire  
Morgan, Lewis & Bockius LLP  
1701 Market Street  
Philadelphia, Pennsylvania 19103-2921  
(215) 963-5000  
(215) 963-5001 (facsimile)**

**Approximate date of commencement of the proposed sale to the public: From time to time after this Registration Statement becomes effective.**

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: 0

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: 0

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: 0

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If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box: 0

### CALCULATION OF REGISTRATION FEE

Title Of Securities Being Registered	Amount To Be Registered (1)	Proposed Maximum Offering Price Per Share (2)	Proposed Maximum Aggregate Offering Price (2)	Amount Of Registration Fee (2)
Common Shares of Beneficial Interest, \$0.001 par value per share	34,141,864	\$ 10.16	\$ 346,881,338	\$ 10,650.00

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(1) Pursuant to Rule 416 under the Securities Act, such number of common shares registered hereby shall include an indeterminable number of common shares that may be issued in connection with a stock split, stock dividend, recapitalization or similar events.

(2) The proposed maximum offering price per share with respect to the common shares being registered pursuant to this Registration Statement is \$10.16, estimated solely for the purpose of computing the registration fee, pursuant to Rule 457(a) under the Securities Act, and, in accordance with Rule 457(c) under the Securities Act, based on the average of the high and low reported sale prices of the Registrant's common shares on the New York Stock Exchange on April 20, 2007.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission acting pursuant to said Section 8(a), may determine.**

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**The information in this prospectus is not complete and may be changed or supplemented. We cannot sell any of the securities described in this prospectus until the registration statement that we have filed to cover the securities has become effective under the rules of the Securities and Exchange Commission. This prospectus is not an offer to sell the securities nor is it a solicitation of an offer to buy the securities in any jurisdiction where an offer or sale of the securities is not permitted.**

**SUBJECT TO COMPLETION, DATED APRIL 26, 2007**

**Prospectus**

**34,141,864 Shares**

**GMH COMMUNITIES TRUST**

**Common Shares of Beneficial Interest**

This prospectus relates to up to 34,141,864 common shares of beneficial interest of GMH Communities Trust that the selling shareholders named in this prospectus may offer for sale from time to time. We are registering the offering of the common shares to provide the selling shareholders with the ability to sell their shares in this offering registered under the Securities Act of 1933, but this prospectus does not necessarily mean that the selling shareholders will offer or sell the shares. The selling shareholders named in this prospectus either currently own the common shares they are offering, or may acquire these common shares through the conversion of the units of limited partnership interest in our operating partnership, GMH Communities, LP, into common shares. The selling shareholders may request that these units of limited partnership interest be converted into common shares at any time in accordance with the terms of the partnership agreement for our operating partnership. With respect to certain of the selling shareholders, we are filing the registration statement of which this prospectus is a part pursuant to the terms of registration rights agreements. We will not receive any of the proceeds from the sale of any common shares by the selling shareholders, but will incur expenses in connection with the offering.

The selling shareholders from time to time may offer and sell the shares held by them directly or through agents or broker-dealers on terms to be determined at the time of sale. These sales may be made on the New York Stock Exchange or other exchanges on which our common shares are then traded, in the over-the-counter market, in negotiated transactions or otherwise at prices and at terms then prevailing or at prices related to the then current market prices or at prices otherwise negotiated. To the extent required, the names of any agent or broker-dealer and applicable commissions or discounts and any other required information with respect to any particular offer will be set forth in a prospectus supplement which will accompany this prospectus. A prospectus supplement also may add, update or change information contained in this prospectus.

Our common shares are listed on the New York Stock Exchange under the symbol GCT. On April 20, 2007, the last reported sale price of our common shares on the New York Stock Exchange was \$10.16 per share.

**Investing in our common shares involves a high degree of risk. You should carefully consider the risk factors described under the heading Risk Factors in this prospectus beginning on page 5 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 is \_\_\_\_\_, 2007**

No dealer, salesperson or other individual has been authorized to give any information or to make any representation other than those contained in this prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by us or the underwriters. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation. Neither the delivery of this prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs or that information contained herein is correct as of any time subsequent to the date hereof.

## TABLE OF CONTENTS

	Page
<u>Summary</u>	1
<u>Risk Factors</u>	5
<u>Cautionary Note Regarding Forward-Looking Statements</u>	26
<u>The Offering</u>	28
<u>Use of Proceeds</u>	28
<u>Selling Shareholders</u>	29
<u>Plan of Distribution</u>	31
<u>Price Range of Common Shares and Dividend Policy</u>	33
<u>Selected Financial Data</u>	35
<u>Unaudited Pro Forma Financial Information</u>	36
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	40
<u>Our Business and Properties</u>	63
<u>Management, Corporate Governance and Compensation</u>	89
<u>Investment Policies and Policies With Respect to Certain Activities</u>	111
<u>Certain Relationships and Related-party Transactions</u>	113
<u>Principal Shareholders</u>	115
<u>Description of Shares</u>	117
<u>Certain Provisions of Maryland Law and of Our Declaration of Trust and Bylaws</u>	120
<u>Partnership Agreement</u>	125
<u>Federal Income Tax Considerations of Our Status as a REIT</u>	129
<u>Shares Eligible for Future Sale</u>	145
<u>Legal Matters</u>	145
<u>Experts</u>	145
<u>Where You Can Find More Information</u>	145
<u>Index to Financial Statements</u>	F-1

Market data and forecasts used in this prospectus have been obtained from independent industry sources as well as from research reports prepared for other purposes. We have not independently verified the data obtained from these sources. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and the additional uncertainties regarding the other forward-looking statements in this prospectus.

## SUMMARY

*The following summary highlights information contained elsewhere in this prospectus. You should read the entire prospectus, including Risk Factors and the financial statements and unaudited pro forma financial information, and related notes, appearing elsewhere in this prospectus, before making a decision to invest in our common shares. Our operating partnership, GMH Communities, LP, commenced operations on July 27, 2004, and, upon completion of our initial public offering in November 2004, GMH Communities Trust, through a wholly owned subsidiary, became the sole general partner of GMH Communities, LP. We currently own and operate all of our assets through our operating partnership. In this prospectus, unless the context suggests otherwise, references to our company, we, us and our mean GMH Communities Trust, including our operating partnership, GMH Communities, LP, as well as our other direct and indirect subsidiaries.*

*The historical operations described in this prospectus prior to the completion of our initial public offering in November 2004 refer to the historical operations of our predecessor entities. We have described our operations in this prospectus as if the historical operations of our predecessor entities were conducted by us.*

### Our Company

We 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. Through our operating partnership, we own and operate our student housing properties and own equity interests in joint ventures that own our military housing privatization projects. Generally, we provide through our taxable REIT subsidiaries the development, construction, renovation and management services for our military housing privatization projects and property management services for student housing properties owned by others. In addition, through our operating partnership, we provide consulting services with respect to the management of certain student housing properties owned by others, including colleges, universities and other private owners. We are one of the leading providers of housing, lifestyle and community solutions for students and members of the U.S. military and their families.

As of December 31, 2006, we owned or had ownership interests in 77 student housing properties, containing a total of 14,432 units and 46,696 beds. We also owned seven undeveloped or partially developed parcels of land held for development as student housing properties, and we managed a total of 18 student housing properties owned by others, containing a total of 3,053 units and 9,900 beds, as well as 51 units and 279 beds currently under construction. See also the section of this prospectus titled *Management's Discussion and Analysis of Financial Condition and Results of Operations 2007 Business Strategy* for a discussion of certain transactions that have or will impact our ownership interests in certain of these student housing properties.

With respect to our military housing segment, as of December 31, 2006, our operating partnership had an ownership interest in, and through various wholly-owned subsidiaries operated, nine military housing privatization projects, comprising an aggregate of approximately 17,489 end-state housing units on 21 military bases. End-state housing units are the housing units, including units subject to new construction and existing units, whether or not subject to renovation, that are approved for completion and management by the end of the initial development period, or IDP, for the project. On October 23, 2006, we announced that we had been chosen by the Department of the Army to design, construct and manage two single soldier housing projects, located at Fort Bliss and Fort Stewart. These two projects are among the first of unaccompanied housing privatization awards made by the Army. On November 30, 2006, we announced the expansion of our Fort Carson project, covering an additional 396 end-state housing units over an existing inventory of 2,664 end-state housing units, and having a three-year IDP with total project costs estimated at \$124 million. In addition, on February 6, 2007, we closed on our AETC Group I project with the Department of the Air Force, a military housing privatization project covering four bases and 2,875 end-state housing units. The AETC Group I project represents our first military housing project with the Department of the Air Force. Also, on February 26, 2007, we announced that we were selected by the Department of the Navy to enter into exclusive negotiations for the design, construction, management and maintenance of the military family housing at 11 Southeast Region Navy bases in five states. The 50-year term of the Navy Southeast project is expected to commence with a six-year IDP that is valued in excess of \$700 million and covering approximately 5,501 end-state housing units. On March 8, 2007, we also announced that we were selected by the Department of the Army to enter into exclusive negotiations for the family housing privatization project at the U.S. Military Academy at West Point, New York, which is expected to have a five-year IDP with project costs valued in excess of \$160 million and cover 628 end-state housing units.

GMH Communities Trust was formed in May 2004 to continue and expand upon the student and military housing businesses of our predecessor entities and other affiliated entities, collectively referred to as GMH Associates. GMH Associates was founded in 1985 principally to acquire, develop and manage commercial and residential real estate, focusing on student housing. Beginning in 1999, GMH Associates also competed for the award of contracts to develop, construct, renovate and manage housing units for members of the U.S. military and their families, referred to as military housing privatization projects.



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We seek to capitalize on the highly fragmented student housing market at colleges and universities and the related need for quality and affordable off-campus, privately owned student housing. Focusing on this opportunity, we have, and prior to our formation, GMH Associates had, acquired or entered into joint ventures that acquired student housing properties strategically located near college or university campuses. In addition, we have continued to expand upon the military housing business developed by GMH Associates and to seek the award of additional military housing privatization projects granted by the Department of Defense, or DoD, under the 1996 National Defense Authorization Act.

We elected to be treated as a real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended, or the Code, commencing with our taxable year ended December 31, 2004, and intend to continue to qualify as a REIT. We perform certain management and other services relating to student and military housing, which if performed directly by a REIT could adversely affect its qualification as a REIT, through our taxable REIT subsidiaries, GMH Military Housing, LLC and College Park Management TRS, Inc. A taxable REIT subsidiary is an entity, taxed as a corporation, in which a REIT directly or indirectly holds shares and which makes a joint election with the REIT to be treated as a taxable REIT subsidiary of the REIT. Taxable REIT subsidiaries are generally subject to federal income taxation in the same manner as regular corporations and not as REITs. The extent to which a REIT can conduct its operations through a taxable REIT subsidiary is limited by provisions of the Code, which require that (i) dividends from a taxable REIT subsidiary, together with other nonqualifying gross income of the REIT, constitute not more than 25% of the REIT's gross income in any taxable year and (ii) securities issued by taxable REIT subsidiaries represent not more than 20% of the value of the REIT's total assets as of the close of any quarter of a taxable year of the REIT.

### Summary Risk Factors

You should carefully consider the matters discussed in *Risk Factors* prior to deciding whether to invest in our common shares. Some of these risks include:

- the initial maturity date of our current line of credit is June 1, 2007, and unless we are able to repay outstanding indebtedness under the line at that time, or by any extended maturity date which may be no later than October 2, 2007, the loss of any of our assets securing such debt could adversely affect our business;
- if we were to default in the future on any of our mortgage indebtedness, the loss of any of our assets securing such debt could adversely affect our business or result in the secured indebtedness under our line of credit being immediately due and payable;
- our internal control over financial reporting may not be sufficient to ensure timely and reliable financial information;
- pending material litigation or the commencement of an investigation by the SEC could adversely affect the Company's financial condition and results of operations;
- we have reported net losses in the past and may continue to do so in the future;
- since our initial public offering, our cash flow from operations has been insufficient to fund our dividend distributions to our shareholders, and it could continue to be so in the future. To the extent our cash flow from operations is insufficient to fund our dividend distributions, we expect to borrow funds or to lower our dividend distributions;
- historically, we have experienced rapid growth in our student housing and military housing businesses and may not be able to adapt our management and operational systems to respond to the acquisition and integration of these properties and investments in privatization projects, or to respond to new properties and projects that we acquire in the future, without unanticipated disruption or expense;
- we expect our real estate investments to continue to be concentrated in student housing and military housing, making us more vulnerable to economic downturns in these housing markets than if our investments were diversified across several industry or property types;

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- virtually all of our student housing leases, which typically have a 12-month lease term, become subject to renewal with existing student residents or lease-up with new student residents during July and August of

2

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each year, which coincides with the start of the academic year at most colleges and universities. If we are unable to renew or lease-up our student housing properties prior to the start of the academic year, our chances of leasing these properties during subsequent months is reduced, and correspondingly, our rents and operating results will be adversely affected;

- certain military bases for which we own and operate a military housing privatization project have been approved for reduction of troops or closure under the Base Realignment and Closure, or BRAC, regulations. Our operating revenues from these projects and the value of our equity interest in the projects may be reduced, and our overall military housing segment revenues could be adversely affected with respect to the military bases under any of these military housing privatization projects;
- as a result of the anticipated closure of the Brunswick Naval Air Station covered by our Navy Northeast Region military housing privatization project, our joint venture with the Department of the Navy that owns the project must modify the terms of the project documents to amend various construction scope and timing requirements that were set prior to the BRAC announcement. Certain initial construction requirements under the original scope have not been met due to construction delays at bases slated for closure, and therefore the joint venture is currently in default under the terms of the trust indenture relating to the bonds issued to finance the project. The exercise of any default remedies by the bondholders relating to this project may adversely impact the operations of the project and our equity investment in the project;
- we rely on key partners and contractors in connection with the construction and development of our military housing privatization projects, and our inability to maintain these relationships or to engage new partners or subcontractors under commercially acceptable terms to us could impair our ability to successfully complete the construction and development of our military housing privatization projects and to obtain new military housing privatization projects;
- if Congress does not approve appropriations each year relating to the provision of the BAH paid to members of the U.S. military, which is the primary source of rental revenues under our military housing privatization projects, or if BAH were eliminated, our operating revenues and projected returns on investments from our military housing privatization projects would be significantly reduced;
- Gary M. Holloway, Sr., our president, chief executive officer and chairman of our board of trustees, may have conflicts of interest as a result of his ownership of an entity that provides services to us and leases space from us;
- our executive officers and certain of our trustees may have conflicts of interest in connection with their ownership of limited partnership units in our operating partnership; and
- one of our trustees may have a conflict of interest as a result of his affiliation with Vornado Realty Trust, one of our largest shareholders on a fully-diluted basis.

### **Selling Shareholders**

This prospectus relates to up to 34,141,864 common shares that the selling shareholders named in this prospectus may offer for sale from time to time. The selling shareholders named in this prospectus either currently own the common shares they are offering, or may acquire these common shares upon the conversion of their units of limited partnership interest in our operating partnership, GMH Communities, LP, into common shares.

### **Use of Proceeds**

We will not receive any proceeds from the sale by the selling shareholders of the common shares being offered by this prospectus. We have agreed, however, to pay various expenses relating to registration of these common shares under applicable securities laws.

**Restrictions on Ownership of Our Common Shares**

Our declaration of trust generally prohibits any shareholder, other than (i) Gary M. Holloway, Sr. and certain persons related to Mr. Holloway, (ii) Steven Roth, who is the chairman and chief executive officer of Vornado Realty Trust,

3

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certain persons related to him, and (iii) Vornado Realty L.P., which is the operating partnership of Vornado Realty Trust, and certain persons related to Vornado Realty L.P. and certain transferees or assignees of Vornado Realty L.P. or related persons, from beneficially or constructively owning more than 7.1% in value of our outstanding shares or more than 7.1% in value or in number of shares, whichever is more restrictive, of our outstanding common shares. Our declaration of trust provides that a person will not be subject to the ownership limits if such person has provided the board of trustees with such representations and evidence, and has entered into such agreements and undertakings, as are satisfactory to the board of trustees, in its reasonable discretion, to establish that (i) such person is entitled to the look-through treatment with respect to the REIT requirement that not more than 50% of the value of our shares may be owned, directly, indirectly or under applicable attribution rules, by five or fewer individuals (as defined to include certain entities), (ii) such person's direct, indirect or constructive ownership of interests in our direct or indirect tenants will not adversely affect our ability to qualify as a REIT, (iii) such person's direct, indirect or constructive ownership of our shares will not adversely affect our ability to qualify as a REIT and (iv) such person has agreed that shares directly, indirectly or constructively owned by such person in excess of 7.1% of our common shares (as determined by reference to number or value, whichever is more restrictive) or 7.1% of our outstanding shares (as determined by reference to value) will automatically be transferred to a charitable trust as necessary to prevent ownership in excess of those levels from adversely affecting our ability to qualify as a REIT. The exemption described in the preceding sentence will automatically cease to apply in the event that such person is or becomes ineligible for the look-through treatment described in the preceding sentence and will not prevent the application of the provisions in the declaration of trust relating to ownership of shares in excess of the ownership limitations to shares owned by the person granted an exemption where another person treated under applicable attribution rules as owning shares owned by the person granted an exemption owns, directly, indirectly or under the applicable attribution rules, shares in excess of the ownership limitation applicable to such other person. The board of trustees may grant other exemptions from the ownership limitations in certain circumstances. Mr. Holloway and certain related persons are prohibited from owning more than 20% in value of our outstanding shares or more than 20% in value or in number of shares, whichever is more restrictive, of our outstanding common shares, and Steven Roth and certain persons related to him are prohibited from owning more than 8.5% in value of our outstanding shares or more than 8.5% in value or in number of shares, whichever is more restrictive, of our outstanding common shares. See *Description of Shares Restrictions on Ownership and Transfer*.

#### **Dividend Policy**

We intend to distribute to our shareholders each year all or substantially all of our REIT taxable income so as to avoid paying corporate income tax and excise tax on our earnings and to qualify for the tax benefits afforded to REITs under the Code. The actual amount and timing of distributions, if any, will be at the discretion of our board of trustees and will depend upon our actual results of operations and a number of other factors discussed in *Price Range of Common Shares and Dividend Policy*, including:

- the amount of revenues from our owned student housing portfolio and third-party management segment;
- the amount of revenues received in connection with our military housing privatization projects;
- the consulting and management fees received with respect to student housing properties owned by others;
- our debt service obligations; and
- our operating expenses.

We cannot assure you that we will have cash available for distributions at historical levels. See *Risk Factors*.

#### **Our Principal Office and Other Information**

Our principal executive offices are located at 10 Campus Boulevard, Newtown Square, Pennsylvania 19073. Our telephone number is (610) 355-8000. Our Internet address is [www.gmhcommunities.com](http://www.gmhcommunities.com). We make available free of charge on or through our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Our Internet web site and the information contained therein or connected thereto do not constitute a part of this prospectus.

## RISK FACTORS

*An investment in our common shares involves a number of risks. The risks described below represent the material risks you should carefully consider before making an investment decision. If any of these risks occurs, our business, liquidity, financial condition and results of operations could be materially and adversely affected, in which case the price of our common shares could decline significantly and you could lose all or part of your investment.*

### ***Risks Relating to Our Business and Growth Strategy***

**The initial maturity date of our current line of credit is June 1, 2007, and unless we are able to repay outstanding indebtedness under the line at that time, or by any extended maturity date which may be no later than October 2, 2007, the loss of any of our assets securing such debt could adversely affect our business.**

Our current line of credit with Wachovia Bank, National Association, has a maturity date of June 1, 2007, at which time all outstanding indebtedness under the line will become due and payable. As of April 13, 2007, we had \$89.7 million in outstanding indebtedness under the line of credit. In December 2006, we announced that our management expected to implement a business strategy beginning in 2007 that would involve the sale, refinancing and/or entrance into a joint venture with respect to a number of our currently owned student housing properties. In addition, we announced that we were in discussions to obtain a new line of credit. The proceeds from this business strategy would be used to repay outstanding indebtedness under our line of credit. See *Management's Discussion and Analysis of Financial Condition and Results of Operations 2007 Business Strategy*. While the line of credit remains effective, the lender has the sole discretion to approve of various aspects of our business strategy, such as the release of any student housing assets securing the line for sale to third parties or the placement of such assets into a joint venture with a third party. There can be no guarantee that our management team will be able to execute upon its business strategy at all or on terms that are currently anticipated, and therefore that we will be able to obtain the necessary funds to repay the outstanding indebtedness under the line of credit when it becomes due and payable on the initial maturity date. To the extent that we are unable to successfully implement this business strategy at all or on terms that are currently anticipated by our management team, then we need either (i) to extend the initial maturity date, or (ii) to identify other sources of capital in order to repay the outstanding indebtedness under our line of credit at its maturity date. If we elect to extend the maturity date, we would only be able to extend it under the current agreement through no later than October 2, 2007. Such extension would trigger the payment of an additional fee and an increase in the effective interest rates under the terms of the loan. For a discussion of the extension terms of our current line of credit, see the section of this prospectus titled *Our Business Line of Credit*. To the extent that we elect to extend the initial term of our credit facility and become subject to a higher interest rate on outstanding borrowings thereunder, our results of operations will be adversely impacted. In addition, if we fail to identify the capital necessary to repay our line of credit upon its maturity date (whether or not extended), our lender may pursue its remedies to take control over certain assets that secure the line of credit. The loss of any such assets could impact our ability to qualify as a real estate investment trust and could adversely affect our business.

**If we were to default in the future on any of our mortgage indebtedness, the loss of any of our assets securing such debt could adversely affect our business or result in the secured indebtedness under our line of credit being immediately due and payable.**

A substantial portion of our student housing properties are secured by first mortgages. In addition, as discussed in the risk factor above, in connection with obtaining our current line of credit with Wachovia Bank in October 2006, we granted the lender a security interest in the cash flows from our operating partnership and its subsidiaries that own and operate our student housing properties and third-party management contracts. As additional collateral security for our obligations under this line of credit, our operating partnership and several of its direct and indirect subsidiaries that own the student housing properties that were previously unencumbered under our former credit facility, and the student housing properties acquired in our Capstone portfolio acquisition, also entered into a pledge agreement in favor of Wachovia. Pursuant to this pledge agreement, we granted a security interest in the equity interests in the entities that own, directly or indirectly, these student housing properties, as well as our third-party management business and the contracts pursuant to which we receive management, development and renovation fees with respect to operation of our military housing privatization projects. Our cash flow may be insufficient to make required payments of principal and interest on our debt. Any default in payment of our indebtedness or violation of any covenants in our loan documents could result in the loss of our investment in the properties or assets securing the debt or result in our debt obligations under our line of credit being immediately due and payable, to the extent that we are unable to obtain waivers of financial covenants from our lenders or amend the loan documents. Additionally, some of our indebtedness contains cross default provisions. A default under a loan with cross default provisions could result in default on other indebtedness.

**Our internal control over financial reporting may not be sufficient to ensure timely and reliable financial information.**

As discussed under Item 9A of our Annual Report on Form 10-K for the year ended December 31, 2005, in connection with the completion of the audit of our financial statements for the fiscal year ended December 31, 2005 and an investigation performed by our Audit Committee commenced during the first quarter of 2006, the Company identified and communicated to the Company's independent registered public accounting firm material weaknesses involving internal control over financial reporting and its function. Although management's report on internal control over financial reporting as contained in Item 9A of our Annual Report on Form 10-K for the year ended December 31, 2006 indicates the presence of no material weaknesses in internal control as of December 31, 2006, there can be no assurance that internal control systems will continue to remain effective going forward, or that further remediation efforts will not be required in order to maintain our internal control over financial reporting.

The Company's growth could continue to place stress on its internal control systems, and there can be no assurance that the Company's current control procedures will be adequate. Even after corrective actions have been implemented, the effectiveness of the Company's internal control over financial reporting may be limited by a variety of risks, including faulty human judgment and simple errors, omissions and mistakes, inappropriate management override of procedures, and risk that enhanced controls and procedures may still not be adequate to assure timely and reliable financial information. If the Company fails to have effective internal control over financial reporting in place, it could be unable to provide timely and reliable financial information.

**Pending material litigation or the commencement of an investigation by the SEC could adversely affect the Company's financial condition and results of operations.**

There have been several class action complaints filed against the Company and our chief executive officer and former chief financial officer. As of the date of this prospectus, the court has appointed a lead plaintiff, but the class has not yet been certified. The amended complaint filed by the lead plaintiff alleges, among other things, that the defendants committed securities fraud in connection with the offer, purchase and sale of the Company's common shares between May 5, 2005 and March 10, 2006. In addition, the sellers of a portfolio of student housing properties that we acquired in June 2005, who received units of limited partnership interests in our operating partnership in connection with the transaction, have filed suit against us under a similar securities fraud claim. The outcome of this litigation is uncertain, and although the Company will defend itself against the claims made in these lawsuits, no assurance can be given as to the outcome of this litigation. For a discussion of this pending and threatened litigation, see the section of this prospectus titled *Legal Proceedings*. Costs associated with defending this securities litigation, or with the payment of any judgments in or settlements of such litigation, could adversely affect the Company's financial condition and results of operations.

In addition, after we alerted the SEC of our 2006 Audit Committee investigation and related matters, the SEC staff initiated an informal inquiry in connection with these matters. If the SEC ultimately investigates these matters, or any restatements of our financial statements, the investigation could adversely affect the Company's ability to access the capital markets. In addition, the Company could incur significant legal, accounting and other costs in connection with responding to any such investigation, and could be required to pay large civil penalties and fines resulting from any enforcement actions that could be instituted by the SEC. The SEC also could impose other sanctions against us or certain of our executive officers. These additional costs, together with the likely strain on management's time and attention and other of our operational resources in addressing any such investigation, could adversely affect our financial condition and results of operations.

**We have reported net losses in the past and may continue to do so in the future.**

For the second, third and fourth quarters, as well as for the full year ended December 31, 2006, we reported net losses. These losses were primarily attributable to increased expenses incurred during those periods relating to our previously disclosed Audit Committee special investigation and activities of the Special Committee of the Board of Trustees. We also have experienced increases in expenses relating to our student housing business, and to the extent we are unable to manage those expenses going forward, our operating results from this segment could contribute to additional losses for the Company on a consolidated basis. As referenced in the risk factor above, we also may incur significant legal expenses relating to defending the pending securities litigation against the Company. If our student housing and military housing businesses do not generate sufficient revenue from operations to maintain profitability, we may continue to experience losses from operations.

**Since our initial public offering, our cash flow from operations has been insufficient to fund our dividend distributions to our shareholders, and it could continue to be so in the future. To the extent our cash flow from operations is insufficient to fund our dividend distributions, we expect to borrow funds or to lower our dividend distributions.**

Since completion of our initial public offering, we have used borrowings under our credit facility to pay a portion of dividend distributions to our shareholders. We expect that during 2007 our cash flow from operations will continue to be the primary source of funding for our distributions to shareholders. To the extent that we are unable to fund our dividend distributions with cash flow from operations, we may be required to borrow funds in order to make distributions at historical levels. In the past, we have relied on third-party debt financing, including funds from our line of credit, in order to fund a portion of our dividend distributions. Under our current line of credit with Wachovia Bank, our lender must consent to the use of funds borrowed thereunder for payment of any future dividend distributions. Similarly, if we seek to borrow funds from another lending source, we would be required to obtain prior consent from our lender under the line of credit while it remains effective. There can be no guarantee that our lender will approve this use of funds from the line of credit, or outside borrowing of funds from a third party, for any future quarterly dividend distributions to our shareholders. To the extent that our lender does not approve such use, and we do not have sufficient funds from operations to fund our dividend distributions at historical levels, we may be required to lower our dividend distributions. Any additional indebtedness that we incur with respect to payment of our dividend distributions also will increase our leverage and could decrease our ability to borrow money for other needs, such as the acquisition or development of student housing properties and investments in military housing privatization projects.

**We commenced operations through our operating partnership in 2004, have a limited history of operating and owning our student housing properties and military housing privatization projects, and therefore may have difficulty successfully and profitably operating our business.**

We have only recently commenced operations through the acquisition of our student housing properties, investments in military housing privatization projects and agreements to manage student housing for others by our operating partnership in connection with our initial public offering in November 2004 and the related formation transactions at the time of our initial public offering. As a result, we have a limited operating history and limited experience in owning these student housing properties and operating these military housing privatization projects. Furthermore, we acquired our student housing properties and investments in military housing privatization projects we own as of December 31, 2006 primarily within the past two years and we have limited operating histories for the properties currently under management. Consequently, our historical operating results and the financial data set forth in this prospectus may not be useful in assessing our likely future performance. We cannot assure you that we will be able to generate sufficient net income from operations to make distributions to our shareholders.

**Historically, we have experienced rapid growth in our student housing and military housing businesses and may not be able to adapt our management and operational systems to respond to the acquisition and integration of these properties and investments in privatization projects, or to respond to new properties and projects that we acquire in the future, without unanticipated disruption or expense.**

We acquired all of our student housing properties and investments in military housing privatization projects since July 2004 and expect to continue to acquire additional student housing properties and invest in military housing privatization projects going forward.

As a result of the rapid historical growth of our portfolio, we cannot assure you that we will be able to adapt our management, administrative, accounting and operational systems, or hire or retain sufficient operational staff to integrate these student housing properties and military housing privatization projects into our portfolio and manage any future acquisitions of additional student housing properties or military housing privatization projects without operating disruptions or unanticipated costs. Our failure to successfully integrate any future student housing property acquisitions, student housing property management contracts or military housing privatization projects into our portfolio could have a material adverse effect on our results of operations and financial condition and our ability to make distributions to our shareholders.

**We expect our real estate investments to continue to be concentrated in student housing and military housing, making us more vulnerable to economic downturns in these housing markets than if our investments were diversified across several industry or property types.**

We elected to be treated as a REIT for federal income tax purposes in connection with the filing of our tax return for the taxable year ended December 31, 2004, and we expect to continue to qualify as a REIT in the future. Accordingly, we will invest primarily in real estate. We intend to acquire, manage, and to a lesser extent, develop student housing properties,



and to develop, construct, renovate and manage military housing properties. We are subject to risks inherent in concentrating investments in real estate. The risks resulting from a lack of diversification become even greater as a result of our business strategy to invest primarily in student and military housing properties. A downturn in the student or military housing markets could negatively affect our ability to lease our properties to new student residents and our ability to profitably operate our military housing privatization projects or obtain new privatization projects. These adverse effects could be more pronounced than if we diversified our investments outside of real estate or outside of the student and military housing markets.

**If we are unable to successfully perform our obligations under our current student housing property management agreements and current military housing privatization projects, our ability to execute our business plan and our operating results could be adversely affected.**

We cannot assure you that we will be able to successfully manage our student housing properties, or develop, construct, renovate and manage the military housing properties under our privatization projects, or that we will be able to perform our obligations under our current student housing property management agreements or military housing privatization projects. If we are unable to perform, we may be unable to execute our business plan, which could have a material adverse effect on our operating results and financial condition and our ability to make distributions to our shareholders.

**We have agreed with Vornado Realty L.P. that our activities will satisfy certain requirements. If we are unable to satisfy these requirements we could be liable for substantial amounts.**

In connection with the investment by affiliates of Vornado Realty L.P. in our operating partnership and the issuance of a warrant to Vornado Realty L.P., we and our operating partnership have agreed to certain restrictions regarding our activities and assets and the activities and assets of our operating partnership. If we breach any of these agreements, and, as a result, Vornado Realty L.P. fails to maintain its qualification as a REIT or otherwise incurs liability for any tax, penalty or similar charges, we and our operating partnership could be exposed to substantial liability for damages attributable to our breach.

**We are subject to risks associated with the general development of housing properties, including those associated with construction, lease-up, financing, real estate tax exemptions, cost overruns and delays in obtaining necessary approvals, and the risk that we may be unable to meet schedule or performance requirements of our contracts.**

We intend to continue to acquire, manage, and to a lesser extent, develop student housing properties, and to develop, construct, renovate and manage military housing properties under our privatization projects, in accordance with our business plan. We also engage in the development and construction of student housing properties. These activities may include the following risks:

- construction/renovation costs of a property may exceed original estimates, possibly making the development uneconomical;
- occupancy rates and rents at newly completed student housing properties or military housing properties may be insufficient to make the properties profitable to us or to provide sufficient cash flows to fund future development, construction or renovation periods;
- acceptable financing may not be available on favorable terms for development or acquisition of a property;
- leasing of a property may take longer than expected;
- development efforts may be abandoned;
- obtaining real estate tax exemptions acceptable to the DoD; and
- new construction may not be completed on schedule, resulting in increased debt service expense and development costs, delayed leasing and possible termination of our management contracts (particularly with respect to our military housing privatization projects).



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In addition, any new development or management activities, regardless of whether or not they are ultimately successful, typically will require a substantial portion of the time and attention of our management. Development and

8

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management activities also are subject to risks relating to the inability to obtain, or delays in obtaining, the necessary zoning, land-use, building, occupancy and other required governmental permits and authorizations.

The development and operation of real estate projects entails certain risks, including risks that costs of a project may exceed original estimates, and that the project will fail to conform to building plans, specifications and timetables, which may in turn be affected by strikes, weather, government regulations and other conditions beyond our control. In addition, we may become liable for injuries and accidents occurring on our properties and for environmental liabilities related to our property sites.

**Our management has limited prior experience operating a REIT or a public company. These limitations may impede the ability of our management to execute our business plan successfully and operate our business profitably.**

Our management has limited prior experience in operating a REIT or in managing a publicly owned company, or managing growth at levels that may occur in the future. We cannot assure you that the operating performance of our student housing properties and military housing privatization projects will not decline under our management. We may be unable to hire additional personnel on a timely basis. Therefore, you should be especially cautious in drawing conclusions about the ability of our management team to execute our business plan.

#### *Specific Risks Related to Our Student Housing Business*

**Virtually all of our student housing leases, which typically have a 12-month lease term, become subject to renewal with existing student residents or lease-up with new student residents prior to the start of the academic year at colleges and universities. If we are unable to renew or lease-up our student housing properties prior to the start of the academic year, our chances of leasing these properties during subsequent months is reduced, and correspondingly, our rents and operating results will be adversely affected.**

As a result of the student demand for rental housing during the several months prior to the beginning of the academic year at colleges and universities, which typically lasts from January through July, we generally lease our student housing properties to students under 12-month leases during this period. During this lease-up period, we typically will execute the majority of our leases for student housing units and therefore are dependent on the effectiveness of the marketing efforts of our on-site management teams. Because the terms of these leases will end at, or near the same time, we must re-lease the majority of our student housing units during this limited timeframe. If our marketing and leasing efforts are unsuccessful during this limited lease-up period, we may be unable to lease a substantial majority of our student housing units. Consequently, the failure to adequately market and lease-up our properties could have a material adverse effect on our operating results and financial condition.

**We face significant competition from university-owned on-campus student housing, from other off-campus student housing properties and from traditional multi-family housing located near colleges and universities.**

On-campus student housing has certain advantages over off-campus student housing in terms of physical proximity to the university campus and integration of on-campus facilities into the academic community. Colleges and universities can generally avoid real estate taxes and borrow funds at lower interest rates than we and other private owners and operators can.

Currently, the off-campus student housing industry is fragmented with no participant holding a significant market share. We also compete with national and regional owner-operators of off-campus student housing in a number of markets, as well as with smaller local owner-operators. Our properties often compete directly with a number of student housing complexes that are located near or in the same general vicinity of many of our properties. These competing student housing complexes may be newer than our properties, located closer to campus, charge less rent, possess more attractive amenities or offer more services or shorter terms or more flexible leases.

Rental income at a particular property could also be affected by a number of other factors, including the construction of new on-campus and off-campus residences, increases or decreases in the general levels of rents for housing in competing communities, increases or decreases in the number of students enrolled at one or more of the colleges or universities in the property's market and other general economic conditions.

We believe that a number of other large national companies with substantial financial and marketing resources may be potential entrants in the student housing business. The entry of one or more of these companies could increase competition for students and for the acquisition, development and management of other student housing properties.



**Our student housing operations may be adversely affected by changing university admission and housing policies and our inability to maintain relationships with local colleges and universities.**

A change in university admission policies could adversely affect our ability to lease our student housing properties. For example, if a university reduces the number of student admissions or requires that a certain class of students (e.g., freshmen) live in a university-owned facility, the demand for beds at our properties may be reduced and our occupancy rates may decline. We may be unable to modify our marketing efforts to compensate for a change in a college's or university's admission policy prior to the commencement of the annual lease-up period or any additional marketing efforts may be unsuccessful.

In addition, our ability to successfully lease our student housing properties depends on a number of factors, including maintaining good relationships with college and university communities (especially in connection with colleges and universities that refer students to us) and our continued ability to attract student residents to our properties. Many colleges and universities assist their students in the identification of attractive student-friendly off-campus housing through the distribution of off-campus property materials and the recommendation of college- and university-approved off-campus housing properties on their web sites. If colleges and universities change their policies on recommending off-campus student housing to their students, or cease distribution of off-campus student housing marketing materials to their students, our ability to attract student residents and to lease and collect rents on our student housing properties could be adversely affected. Consequently, the failure to maintain relationships with local colleges and universities could have a material adverse effect on our student housing business.

**We may be unable to successfully acquire, develop and manage student housing properties on favorable terms.**

Our future growth within the student housing business is dependent upon our ability to successfully acquire or develop new properties on favorable terms. As we acquire or develop additional properties, we will be subject to risks associated with managing new properties, including lease-up and integration risks. Newly-acquired properties may not perform as expected and may have characteristics or deficiencies unknown to us at the time of acquisition. During at least the first half of 2007, we may seek to acquire or develop new student housing properties solely through joint ventures with third parties. There can be no assurance that future acquisition and development opportunities will be available to us on terms that meet our investment criteria, that we will be able to identify suitable joint venture partners on terms acceptable to us, or that we will be successful in capitalizing on such opportunities. Our ability to capitalize on such opportunities will be largely dependent upon external sources of capital that may not be available to us on favorable terms, or at all.

Our ability to acquire properties on favorable terms and successfully operate them may expose us to the following significant risks:

- potential inability to acquire a desired property because of competition from other real estate investors;
- we may be unable to locate acceptable joint venture partners with whom we would negotiate to acquire and/or develop the properties;
- competition from other potential acquirers may significantly increase a property's purchase price;
- we may be unable to finance our equity portion of an acquisition on favorable terms or at all;
- we may have to incur significant capital expenditures to improve or renovate acquired properties;
- we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into our existing operations;
- market conditions may result in higher than expected vacancy rates and lower than expected rental rates; and
- we may acquire properties subject to liabilities without any recourse, or with only limited recourse, to the sellers, or with liabilities that are unknown to us, such as liabilities for clean-up of undisclosed environmental contamination, claims by tenants, vendors or other persons dealing with the former owners of our properties and claims for indemnification by members, directors, officers and others indemnified by the former owners of our properties.

Our failure to finance property acquisitions on favorable terms, or operate acquired properties to meet our financial expectations, could adversely affect our financial condition and results of operations.

**The lenders of certain non-recourse mortgage indebtedness that we assume or place on our properties could have recourse against us for the full amounts of their loans under certain circumstances.**

As of December 31, 2006, we had \$1,028.3 million in aggregate principal amount of mortgage debt secured by our properties. In general, mortgage debt is non-recourse to our subsidiary that owns the property and places the mortgage debt on the property, and will be non-recourse to us. However, the terms of each of the loans to which the mortgage debt relates

10

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include provisions that enable the lender to have recourse to the borrower generally if the borrower misrepresented certain facts or committed fraud. In addition, there are provisions under our current line of credit with Wachovia Bank, National Association that could result in an event of default to the extent we experience a material default under certain of our mortgage indebtedness relating to our properties. If one or more of the borrowers under our mortgage indebtedness exercises its rights to recourse against us for the full amount of the mortgage debt outstanding under their loans, our liquidity and financial condition could be adversely affected.

*Specific Risks Related to our Military Housing Business*

**Certain military bases for which we own and operate a military housing privatization project have been approved for reduction of troops or closure under the Base Realignment and Closure, or BRAC, regulations. Our operating revenues from these projects and the value of our equity interest in the projects may be reduced, and our overall military housing segment revenues could be adversely affected with respect to the military bases under any of these military housing privatization projects.**

As part of the DoD's substantial reduction in the size of the U.S. military following the end of the Cold War, the federal government undertook four rounds of BRAC beginning in 1988, and again in 1991, 1993 and 1995. The fifth round of BRAC was initiated in 2004 and was completed on November 9, 2005, when, under current legislation, the final list of additional bases recommended for realignment or closure was approved by both President Bush and Congress. The BRAC law sets out a process that includes specific dates for government action and the creation of an independent commission appointed by the President. By way of background, the DoD released its initial recommendations for BRAC in May 2005, and the BRAC Commission then voted to amend the DoD's initial list on July 19, 2005. Under the BRAC Commission's revisions, several bases were removed from the DoD's list of bases targeted for closure, including the Submarine Base in New London, Connecticut and the Portsmouth Naval Shipyard in Kittery, Maine, both of which are part of our Navy Northeast Region military housing privatization project. In addition, the BRAC Commission also proposed a less significant realignment at the Fort Eustis base under our Fort Eustis/Fort Story project in Newport News, Virginia than was proposed by the DoD. However, the BRAC Commission proposed to close the Naval Air Station in Brunswick, Maine, which had been recommended by the DoD to be realigned. Finally, the BRAC Commission voted to uphold the DoD's recommendation to close the Walter Reed Army Medical Center in Washington, DC. In September 2005, President Bush accepted the BRAC Commission's recommendations in their entirety. On November 9, 2005, the BRAC round was completed when Congress approved the BRAC Commission's recommendations in their entirety.

Under the final BRAC list as compared to the original DoD recommendations, the possible number of affected military housing units covered by our existing projects was reduced from 2,500 to 700 units, which remaining 700 units are located at the Naval Air Station in Brunswick, Maine. We believe that the closure of the Walter Reed Army Medical Center will not result in the loss of housing units, as these housing units are likely to be utilized by personnel who will be relocated from serving at Walter Reed to serving at nearby military medical facilities.

If a base for which we maintain a privatization project is realigned or closed, our main source of tenants, members of the U.S. military and their families, will not continue to require housing at or near the base, resulting in a decreased rental revenue stream. This in turn may jeopardize our ability to collect future fees, and the value of our equity interest in the project could be adversely affected due to a reduction in its scope, to the extent that we are unable to re-lease any vacant units. The military housing privatization initiative had not been undertaken at the time of previous BRAC rounds, and therefore there is no historical information regarding the impact of a base closure on a military housing privatization project. To date, there has been no indication from the DoD or the BRAC Commission that the federal government has factored into its analysis the possible effects that a base closure or realignment resulting from BRAC could have with respect to the outstanding debt financing for a project. In addition, prior BRAC rounds have shown that even once a base is approved for closure or realignment, the actual closing or realignment of the base could take several years to be completed. Accordingly, management currently expects that the closure of the Naval Air Station in Brunswick, Maine will not occur for at least three years. We are unable to determine with any certainty, however, the specific impact, and the timing of any such impact, that base closures and realignments at our projects will have on our military housing operating results, other than the possible cessation or reduction of fees related to the affected bases.

In addition, it is inherent in the nature of military service that members of the military may be deployed and stationed away from a particular base for an extended period of time or permanently be reassigned to another base. As a result of such absences, dependents may move out of military housing facilities resulting in vacant housing units to be managed and re-leased by us. Typical military housing lease agreements, which have a one-year lease term and continue month-to-month thereafter, provide that a military resident may terminate a lease and be released from any further obligations under the lease upon receipt of orders requiring the resident to be deployed or temporarily or permanently stationed away from the base for more than 90 days by providing us with proof of orders and an appropriate letter from the resident's commanding officer. If we are unable to re-lease these vacant units, the management fee revenue derived from the project's rental revenues will decrease, and the project may be unable to be appropriately funded for construction and renovation of



units throughout the term of the project. We also may be unable to receive any other fees that we may have otherwise earned under the project, and the projected, or any, return on our investment in the project. Any such effect could have an adverse effect on our financial condition and results of operations.

If there are significant numbers of base closures, force reductions or troop deployments that affect our existing military housing privatization projects, we may be unable to achieve the anticipated operating revenues to be derived from these projects and our results of operations may be adversely affected.

**As a result of the anticipated closure of the Brunswick Naval Air Station covered by our Navy Northeast Region military housing privatization project, our joint venture with the Department of the Navy that owns the project must modify the terms of the project documents to amend various construction scope and timing requirements that were set prior to the BRAC announcement. Certain initial construction requirements under the original scope have not been met due to construction delays at bases slated for closure, and therefore the joint venture is currently in default under the terms of the trust indenture relating to the bonds issued to finance the project. The exercise of any default remedies by the bondholders relating to this project may adversely impact the operations of the project and our equity investment in the project.**

As a result of the initial BRAC recommendations relating to the Submarine Base in New London, Connecticut, the Portsmouth Naval Shipyard in Kittery, Maine, and the Naval Air Station in Brunswick, Maine, each of which are included in our Navy Northeast Region project, our joint venture with the Navy that owns the project delayed construction of new housing units at these bases throughout 2005 and 2006. Once the final BRAC recommendations as approved by Congress removed the Submarine Base and Naval Shipyard from the closure list, the joint venture re-commenced construction at those two locations but has continued to delay construction at the Brunswick Naval Air Station. The project documents that were executed at the time of award of the project to our joint venture with the Navy did not provide for a reduced scope for the project in the event that bases under the project were targeted for reduction or closure. As a result, the project documents still contemplate that we will complete the original scope of project and contain covenants that require completion of construction of a certain number of housing units at each base included in the project by times that were agreed upon prior to the BRAC announcements. While we are currently working with the Navy to modify the project documents to reduce the scope of the project in light of the closure of the Brunswick Naval Air Station, the joint venture may be unable to complete the necessary amendments prior to the date that such construction scope and time requirements are required to be met and cured, and such inability to complete the necessary amendments in time could trigger a default under the project documents. In addition, due to the aforementioned construction delays, the joint venture was unable to meet a requirement to deliver a certain number of new construction housing units under the terms of the trust indenture that covers the bonds originally issued to finance the project. The joint venture was required to provide notice of this anticipated default to the bondholder representative and other related parties under the terms of the trust indenture, and did so in July 2006 and December 2006. As a result of this technical default, the trust indenture provides that a majority of the bondholders or the bond trustee can elect to declare all of the principal of, premium, if any, and interest on the bonds immediately due and payable. Such an acceleration of the bonds could result in the foreclosure on all or a portion of the project assets to the extent that the project's available cash is insufficient to pay the bondholders in full. While the bonds are nonrecourse to us, to the extent that the bondholders are able to foreclose on all or a portion of the project, our future income stream from the project and our initial equity investment in the joint venture would be significantly or completely impaired. There also can be no guarantee that we will be able to complete amendments to the project documents and trust indenture needed to address the reduced scope of the project prior to the triggering of other events of default under the terms of such documents.

**The joint ventures that own our military housing privatization projects have high leverage ratios which could cause us to lose cash flows and our investments in those projects if the joint ventures are unable to pay their debt service obligations.**

Typically, up to 90% of the capitalization of the joint ventures that own our military housing privatization projects is debt, such as through the sale of taxable bonds to the public. These joint ventures generally are not required to be consolidated with our operations, and as a result this indebtedness is not reflected on our balance sheet. As a result of the high leverage ratios of these joint ventures, reductions in their revenues could impair their ability to service their debt. For example, if the BAH paid to members of the U.S. military is reduced, the personnel is reduced at the bases where our projects are located or these bases are closed, the revenue generated by these joint ventures could decrease. In addition, to the extent that any of our projects are restructured, resulting in a significant loss of end-state housing units covered by the project, the revenues generated by the project would be reduced and could materially impair the ability to make payments to bondholders for bonds issued in connection with the project's financing. If any of the joint ventures covering our military housing privatization projects cannot service its indebtedness, we may not be paid with respect to certain projects on our development, construction, renovation and/or management fees, which would adversely affect our operating results. We also





could lose our entire initial equity and any other additional investments in the project, which could adversely affect our financial condition.

**Our ability to earn development, construction/renovation and management fees, including related incentive fees, depends on the joint ventures that own our military housing privatization projects achieving specified operating milestones and thresholds.**

The joint ventures that own our military housing privatization projects derive substantially all of their revenues from the BAH of their tenants. This revenue is then paid out by the joint ventures according to a distribution waterfall plan set forth in the joint ventures governing documents. Other than the standard management fee we earn, which is typically 2% to 3% of the BAH-related project revenues, and other disbursements, such as routine maintenance, utilities, taxes and insurance, no funds are available to be paid out to us until the joint ventures debt service obligations are satisfied. Thereafter, we only earn incentive management fees, preferential and other returns and on-going construction/renovation and development fees if the joint venture achieves operating milestones and thresholds specified in their governing documents, such as maintaining a certain number of end-state housing units online or completing the construction or renovation of a certain number of housing units by certain dates. Due to the inherent inability to predict possible delays in construction or renovation as a result of weather or unknown site conditions (such as environmental or structural concerns), our joint ventures with the military could experience construction/renovation delays that could impact the joint venture's ability to meet deadlines or achieve operating milestones/thresholds. Our joint ventures have historically sought change orders in order to approve certain construction/renovation delays or approve additional draws needed to complete construction/renovation work relating to such delays. These change orders must be approved by the lenders associated with the financing of the project, and there can be no guarantee that the joint venture's change orders will be approved in order to meet the operating milestones/thresholds under the project documents, or at all. Accordingly, we cannot assure you that the joint ventures will achieve these operating milestones and thresholds, or that if the joint ventures achieve these milestones and thresholds, that funds will remain to pay incentive management fees, preferential and other returns and on-going construction/renovation and development fees. If the joint ventures fail to achieve these milestones and thresholds or, if funds are not available to pay incentive management fees, preferential and other returns and on-going construction/renovation and development fees, the operating results of our military housing business could fluctuate significantly over the course of the project and could suffer.

**We rely on key partners and contractors in connection with the construction and development of our military housing privatization projects, and our inability to maintain these relationships or to engage new partners or subcontractors under commercially acceptable terms to us could impair our ability to successfully complete the construction and development of our military housing privatization projects and to obtain new military housing privatization projects.**

We are dependent upon our relationships with partners and subcontractors in connection with the construction, renovation and development of our military housing privatization projects. Particularly, our management team has relationships with Balfour Beatty Construction (formerly known as Centex Construction Company, LLC), The Benham Companies, LLC, and Phelps Development, LLC. Subject to the terms of our agreements with these construction, renovation and design partners and contractors, these parties provide services to those military housing privatization projects in which they are involved. To the extent that we are unable to maintain our relationships with these partners and contractors or to engage new partners and contractors under terms acceptable to us, our ability to complete a project in a timely fashion, or at a profit, may be impaired. If the amount we are required to pay for these services exceeds the amount we have estimated in bidding for military housing privatization projects or other fixed-price work, we could experience losses in the performance of these projects. In addition, if a partner or subcontractor was unable to deliver its services according to our negotiated terms with them for any reason, including the deterioration of its financial condition, another subcontractor would need to be obtained to perform the services, potentially at a higher price. This may result in the significant delay or additional costs associated with performance under our military housing privatization projects, the adverse effect on our operating results through a reduction in the profit to be realized, or the recognition of a loss on a project for which the services were needed. In addition, if we are unable to successfully manage the provision of services by our partners and contractors, we may not be awarded future military housing privatization projects.

**We are subject to the risks associated with conducting business with the federal government, such as the government's discontinuation of federal funding for some or all of its military housing privatization projects and the need to win new military housing privatization projects through a competitive bidding process.**

We are subject to risks associated with conducting business with the federal government. The DoD, pursuant to its authority granted under the 1996 National Defense Authorization Act, has approved, as of March 9, 2007, the award of 78 military housing privatization projects to private owners, and the future award of an additional 41 projects. Any Congressional action to reduce budgetary spending by the DoD could limit the continued funding of these private-sector projects and could limit our ability to obtain additional privatization projects, which would have a material adverse effect on



our business. The risks of conducting business with the federal government also include the risk of civil and criminal fines and the risk of public scrutiny of our performance at high profile sites.

In addition, privatization projects are currently awarded pursuant to a competitive bidding process, which differs procedurally with respect to each U.S. military branch. Generally, after a proposed site has been identified by a military branch for privatization, prospective companies must submit a proposal complying with specified guidelines demonstrating that the company will be able to successfully complete the project in accordance with the government requirements. The project winner is awarded the exclusive right to develop, construct, renovate and manage family housing at a military base throughout the duration of the ground lease, typically for a 50-year period. The competition pursuing privatization projects currently consists of a small, distinguished list of national and international developers, owners and operators of commercial and residential real estate. We cannot predict whether the number of companies that we compete against for the award of privatization projects will increase significantly in the future, or that we will be able to effectively compete against other private owners for projects awarded in the future.

The termination of the DoD's authority to grant privatization projects, the reduction of government funding for such projects and our inability to effectively compete for the award of future projects could have a material adverse effect on our military housing business and, correspondingly, on our operating results and financial condition.

**If Congress does not approve appropriations each year relating to the provision of the BAH paid to members of the U.S. military, which is the primary source of rental revenues under our military housing privatization projects, or if BAH were eliminated, our operating revenues and projected returns on investments from our military housing privatization projects would be significantly reduced.**

Each year Congress must appropriate a budget for BAH for all of the branches of the U.S. military. We cannot assure you that such appropriations will be made in any given year, the appropriation each year will occur on a timely basis, or the amount of BAH appropriated will be sufficient to keep up with escalations in cost of living expenses. Moreover, we cannot assure you that the method of calculation, timing of payment, analysis of comparable market rents, cost of living increases or other issues affecting the amount and receipt of BAH by members of the U.S. military will not change from time to time, with possible material adverse consequences for the amount of operating revenues generated by our military housing privatization projects. The foregoing description of BAH is based on current law and DoD procedures. Congress can change the law and the DoD can revise its procedures at any time. We cannot assure you that such changes will not be made and, if changes are made, such changes may have a material adverse effect on the level of our operating revenues generated by our privatization projects.

**If we are unable to reach definitive agreements regarding the military housing privatization projects that are under exclusive negotiations with the U.S. military or as to which we are participating in a solicitation process, we would be unable to recover any costs incurred during the period of exclusivity or solicitation.**

When we are initially selected for a military housing privatization project through the bidding process, we receive only the right to enter into exclusive negotiations with the applicable U.S. military branch, and the award of the project to us is subject to final approval from the U.S. military branch and Congress. During this exclusivity period, or during a pre-award solicitation period, each of which typically lasts between six months to one year, we will develop and present our plans to develop, construct, renovate and manage the project and may incur significant costs during this process. These costs include, among other things, surveyors, equipment, vehicles, on-site personnel salary and wages, inventory, and office and administrative set-up costs.

We cannot assure you that we will receive final approval from Congress on the award of any projects currently under exclusive negotiations or as to which we are participating in a solicitation process, or that the U.S. military branch will not decide to award the project to a competitor at the end of our exclusive negotiations or the solicitation process. In addition, awards of exclusive negotiations by the U.S. military are subject to protest by bidders who were involved in the solicitation process, but were not ultimately chosen to be awarded exclusive negotiations for the subject project. If we do not receive final approval on the award of the project from the U.S. military branch or Congress or the military branch loses a protest of an award of exclusive negotiations to us, we may be unable to recover all of the costs that we have incurred during the exclusivity period or the solicitation process through our general military housing operations. Our failure to recover costs that we incur in connection with military housing privatization projects that are under exclusive negotiations or as to which we are participating in a solicitation process may cause the operating results of our military housing business to be adversely affected.

*Risks Relating to Our Organization and Structure*

**Our Board of Trustees may authorize the issuance of additional shares that may cause dilution.**

Our declaration of trust authorizes our Board of Trustees, without shareholder approval, to:

- amend the declaration of trust to increase or decrease the aggregate number of shares of beneficial interest or the number of shares of beneficial interest of any class that we have the authority to issue;
- authorize the issuance of additional common or preferred shares, or units of our operating partnership which may be convertible into common shares; and
- classify or reclassify any unissued common shares or preferred shares and to set the preferences, rights and other terms of such classified or reclassified shares, including preferred shares that have preference rights over the common shares with respect to dividends, liquidation, voting and other matters or common shares that have preference rights with respect to voting.

The issuance of additional shares could be substantially dilutive to our existing shareholders.

**Our Board of Trustees may approve the issuance of a class or series of common or preferred shares with terms that may discourage a third party from acquiring us.**

Our Board of Trustees may classify or reclassify any unissued common or preferred shares and establish the preferences and rights (including the right to vote, participate in earnings and convert into common shares) of any such shares. Therefore, our Board of Trustees could authorize the issuance of a class or series of common or preferred shares with terms and conditions which could have the effect of discouraging a takeover or other transaction in which holders of some or a majority of the common shares might receive a premium for their shares over the then current market price of our common shares.

**Our rights and the rights of our shareholders to take action against our trustees and officers are limited, which could limit your recourse in the event of actions taken that are not in your best interests.**

Our declaration of trust authorizes us and our bylaws require us to indemnify and advance expenses to our trustees and officers for actions taken by them in those capacities to the fullest extent permitted by Maryland law. In addition, our declaration of trust limits the liability of our trustees and officers for money damages, except for liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services; or
- a final judgment based upon a finding of active and deliberate dishonesty by the trustee or officer that was material to the cause of action adjudicated.

As a result, we and our shareholders may have more limited rights against our trustees and officers than might otherwise exist.

**Our ownership limitations may restrict business combination opportunities.**

To qualify as a REIT under the Code, no more than 50% of our outstanding shares of beneficial interest may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain types of entities) during the last half of each taxable year (other than our first REIT taxable year). Our declaration of trust prohibits, subject to certain exceptions, direct or indirect ownership (including by virtue of applicable constructive ownership rules) by any person of more than 7.1% of our outstanding shares (as determined by reference to value) or more than 7.1% of our outstanding common shares (as determined by reference to number or value, whichever is more restrictive), other than (i) Gary M. Holloway, Sr. and certain related persons, who are permitted in the aggregate to own up to 20% of the value of our outstanding shares or up to 20% of the number or value of our outstanding common shares, whichever is more restrictive, (ii) Steven Roth and certain related persons, who are permitted in the aggregate to own up to 8.5% of the value of our outstanding shares or up to 8.5% of the number or value of our common shares, whichever is more restrictive, and (iii) Vornado Realty L.P., certain persons related to Vornado Realty L.P., certain of transferees or assignees of Vornado Realty L.P. or related persons and affiliates of such transferees or assignees, to which no ownership limit applies. Generally, common shares owned by affiliated owners will be aggregated for



purposes of the ownership limitation. The definition of "person" in our declaration of trust is broader than the definition of "individual" that applies under the Code for purposes of the REIT qualification requirement that no more than 50% of our outstanding shares of beneficial interest be owned, directly or indirectly, by five or fewer individuals. As a result, our declaration of trust will prohibit share ownership in some circumstances where the ownership would not cause a violation of the REIT ownership requirement. Any transfer of our common shares that would violate the ownership limitation under our declaration of trust will be null and void, and the intended transferee will acquire no rights in such shares, or such common shares will be designated as "shares-in-trust" and transferred automatically to a trust effective at the close of business on the day before the purported transfer of such shares. The beneficiary of a trust will be one or more charitable organizations named by us. The ownership limitation could have the effect of delaying, deterring or preventing a change in control or other transaction in which holders of common shares might receive a premium for their common shares over the then current market price or which such holders might believe to be otherwise in their best interests. The ownership limitation provisions also may make our common shares an unsuitable investment vehicle for any person seeking to obtain, either alone or with others as a group, ownership of more than 7.1% in value of our outstanding shares or more than 7.1% in number or value, whichever is more restrictive, of our outstanding common shares.

**Our executive officers and certain of our trustees may experience conflicts of interest in connection with their ownership interests in our operating partnership.**

Certain of our executive officers and trustees, including Gary M. Holloway, Sr., may experience conflicts of interest relating to their ownership interests in our operating partnership. With regard to ownership interests in our operating partnership, as of December 31, 2006, Mr. Holloway beneficially owned approximately 24.0% limited partnership interest in our operating partnership and our other executive officers, including Bruce F. Robinson, who is also one of our trustees, collectively owned approximately 1.8% of the limited partnership interests in our operating partnership. Michael D. Fascitelli, also one of our trustees, is the president and a member of the Board of Trustees of Vornado Realty Trust, which, indirectly through its operating partnership and an affiliated entity, owned an aggregate of 7,337,857 units, or approximately 10.1% of the limited partnership interests in our operating partnership, and 2,517,247 of our common shares, or approximately 6.1% of GMH Communities Trust. Conflicts may arise as a result of these persons' ownership interests in, or their affiliates' interests in, our operating partnership to the extent that their interests as limited partners diverge from our interests, particularly with regard to transactions, such as sales of assets or the repayment of indebtedness, that could be in our best interests and our shareholders but may have adverse tax consequences to the limited partners in our operating partnership.

**Gary M. Holloway, Sr. may have conflicts of interest as a result of his ownership of an entity that provides services to us and leases space from us.**

Mr. Holloway owns a 100% equity interest in GMH Capital Partners, LP, an entity that provides property management and real estate brokerage services for office, retail, industrial, multi-family and corporate properties as well as general contracting and construction management services and acquisition, disposition and development services. GMH Capital Partners, LP is not contractually prohibited from competing with us. In addition, GMH Capital Partners, LP leases space in our corporate headquarters, which we acquired in connection with our initial public offering. As a result of the ongoing ownership interests that Mr. Holloway owns in GMH Capital Partners, LP, there may be conflicts of interest with regard to the terms that we enter into pursuant to our lease to GMH Capital Partners, LP. In addition, we may engage GMH Capital Partners, LP to provide certain real estate brokerage services for us in the future.

**Because Gary M. Holloway, Sr. owns a significant number of units in our limited partnership, he may be able to exert substantial influence on our management and operations, which may prevent us from taking actions that may be favorable to our shareholders.**

As of December 31, 2006, Mr. Holloway beneficially owned approximately 24.0% of the outstanding units of limited partnership interest in our operating partnership. If the maximum number of units redeemable for our common shares by Mr. Holloway were actually redeemed, Mr. Holloway would beneficially own approximately 20.0% of our outstanding common shares. Although the terms of our declaration of trust limit Mr. Holloway's ability to redeem his limited partnership interests to up to 20.0% of our outstanding common shares, such an ownership concentration of our shares may adversely affect the trading price of our common shares if investors perceive disadvantages to owning shares in companies with controlling shareholders. If we were to redeem the maximum number of Mr. Holloway's units for common shares and Mr. Holloway were to retain those shares, he would have the ability to exert significant influence over all matters requiring approval of our shareholders, including the election and removal of trustees and any proposed merger, consolidation or sale of substantially all of our assets. In addition, he could influence significantly the management of our business and affairs. This concentration also could have the effect of delaying, deferring or preventing a change of control of us or impeding a

merger or consolidation, takeover or other business combination that could be favorable to you. Further, Mr. Holloway's concentration of ownership in our operating partnership affords him the ability to exert substantial influence over matters, such as a merger, consolidation or sale of substantially all of the assets of our operating partnership, all of which, under certain circumstances, require the consent of limited partners owning more than 50% of the partnership interest of the limited partners (other than those held by us or our subsidiaries).

**One of our trustees may have a conflict of interest as a result of his affiliation with Vornado Realty Trust, one of our largest shareholders on a fully-diluted basis.**

Mr. Fascitelli, one of our trustees, is the president and a member of the Board of Trustees of Vornado Realty Trust. As described elsewhere in this prospectus, our operating partnership was initially formed in July 2004 through a joint venture between entities owned by Mr. Holloway and Vornado Realty L.P., the operating partnership of Vornado Realty Trust. In connection with our formation transaction, we issued a warrant to Vornado Realty L.P., under which Vornado has purchased 6,666,667 units of limited partnership in our operating partnership. On May 2, 2006, the expiration date under the warrant, Vornado received an additional 1,817,247 of our common shares through a net, or cashless, exercise feature of the warrant. Vornado also purchased 700,000 shares in our 2005 follow-on offering of common shares. Vornado CCA Gainesville, LLC, an affiliate of Vornado Realty L.P., also owns 671,190 units of limited partnership interest in our operating partnership, which were issued in connection with the contribution of an interest in a student housing property to our operating partnership at the time of our initial public offering. In addition, we are required to register for resale the common shares issuable upon exercise of the warrant and the other units currently held by Vornado CCA Gainesville, LLC. Under the terms of the warrant, Vornado has the right to designate for election to our Board of Trustees Mr. Fascitelli or such other officer of Vornado who is reasonably acceptable to us, so long as it holds common shares or units of limited partnership interest in our operating partnership acquired under the warrant at an aggregate price of not less than \$10.0 million. Vornado exercised this right in August 2005, and Mr. Fascitelli was elected to serve on our Board of Trustees on August 10, 2005. As of result of the foregoing, Mr. Fascitelli could experience conflicts of interest between his duties to us and our shareholders and his duties to Vornado and its shareholders.

**Some of our executive officers and trustees have other business interests that may hinder their ability to allocate sufficient time to the management of our operations, which could jeopardize our ability to execute our business plan.**

Some of our executive officers and trustees have other business interests that may hinder their ability to spend adequate time on our business. Mr. Holloway retains 100% of the interests in GMH Capital Partners, LP, an entity that we did not acquire in our formation transactions, and several other entities relating to GMH Associates. GMH Capital Partners, LP provides various property management services and real estate brokerage services for office, retail, industrial, multi-family and corporate properties as well as construction management services and acquisition, disposition and development services. Mr. Holloway's employment agreement permits him to continue to provide management and other services to this entity, and the provision of such services may reduce the time Mr. Holloway is able to devote to our business.

**Maryland law may discourage a third party from acquiring us.**

Maryland law provides broad discretion to our Board of Trustees with respect to its duties in considering a change in control of our company, including that our board is subject to no greater level of scrutiny in considering a change in control transaction than with respect to any other act by our Board.

The Maryland Business Combination Act restricts mergers and other business combinations between our company and an interested shareholder. An interested shareholder is defined as any person who is the beneficial owner of 10% or more of the voting power of our common shares and also includes any of our affiliates or associates that, at any time within the two year period prior to the date of a proposed merger or other business combination, was the beneficial owner of 10% or more of our voting power. A person is not an interested shareholder if, prior to the most recent time at which the person would otherwise have become an interested shareholder, our Board of Trustees approved the transaction which otherwise would have resulted in the person becoming an interested shareholder. For a period of five years after the most recent acquisition of shares by an interested shareholder, we may not engage in any merger or other business combination with that interested shareholder or any affiliate of that interested shareholder. After the five year period, any merger or other business combination must be approved by our Board of Trustees and by at least 80% of all the votes entitled to be cast by holders of outstanding voting shares and two-thirds of all the votes entitled to be cast by holders of outstanding voting shares other than the interested shareholder or any affiliate or associate of the interested shareholder unless, among other things, the shareholders (other than the interested shareholder) receive a minimum price for their common shares and the consideration received by those shareholders is in cash or in the same form as previously paid by the interested shareholder for its common shares. Our Board of Trustees has adopted a resolution, reflected in our bylaws, providing that we have opted out of the





Maryland Business Combination Act. However, our Board of Trustees may opt at any time, without the approval of our shareholders, to make the statute applicable to us again. To the extent it applies, the business combination statute could have the effect of discouraging offers from third parties to acquire us and increasing the difficulty of successfully completing this type of offer.

Additionally, the control shares provisions of the MGCL are applicable to us as if we were a corporation. These provisions eliminate the voting rights of shares acquired in quantities so as to constitute control shares, as defined under the MGCL. Our bylaws provide that we are not bound by the control share acquisition statute. However, our Board of Trustees may opt to make the statute applicable to us at any time, and may do so on a retroactive basis.

**We depend on the business relationships and experience of Gary M. Holloway, Sr. and our other executive officers, the loss of whom could threaten our ability to execute our strategies.**

We depend on the services of Gary M. Holloway, Sr., our president, chief executive officer and chairman of our Board of Trustees, to carry out our business strategies. If Mr. Holloway were to leave the Company, it may be more difficult to locate attractive acquisition targets and manage the properties that we acquire. Additionally, as we expand, we will continue to need to attract and retain qualified additional senior executive officers. The loss of the services of any of our senior executive officers, or our inability to recruit and retain qualified personnel in the future, could have a material adverse effect on our business and financial results.

**Certain of our executive officers have agreements that provide them with benefits in the event their employment is terminated by us without cause, by the executive for good reason, or under certain circumstances following a change of control of our company.**

We have entered into employment agreements with each of our executive officers, including Gary M. Holloway, Sr., Bruce F. Robinson, John DeRiggi, Joseph M. Macchione and J. Patrick O Grady that provide them with severance benefits if their employment is terminated by us without cause, by them for good reason (which includes, among other reasons, failure to be elected to the Board with respect to Mr. Holloway's agreement, and any election by us not to renew our agreements with them), or under certain circumstances following a change of control of our company. Certain of these benefits, including the related tax indemnity with respect to the employment agreements for Mr. Holloway and Mr. Robinson, could prevent or deter a change of control of our company that might involve a premium price for our common shares or otherwise be in the best interest of our shareholders.

**Our Board of Trustees may alter our investment policies at any time without shareholder approval, and the alteration of these policies may adversely affect our financial performance.**

Our major policies, including our policies and practices with respect to investments, financing, growth, debt, capitalization, REIT qualification and distributions, are determined by our Board of Trustees. Our Board of Trustees may amend or revise these and other policies from time to time without a vote of our shareholders. Accordingly, our shareholders will have limited control over changes in our policies.

We have set a targeted range for the amount of indebtedness that we incur from time to time. This target ratio may be amended or waived at any time without shareholder approval and without notice to our shareholders. In addition, our declaration of trust and bylaws do not limit the amount of indebtedness that we or our operating partnership may incur. If we become highly leveraged, then the resulting increase in debt service could adversely affect our ability to make payments on our outstanding indebtedness and harm our financial condition.

**Through a wholly owned subsidiary, we are the sole general partner of our operating partnership, and, should the subsidiary be disregarded, we could become liable for the debts and other obligations of our operating partnership beyond the amount of our investment.**

We are the sole general partner of our operating partnership, GMH Communities, LP, through our wholly owned subsidiary, GMH Communities GP Trust, a Delaware statutory trust, and we also owned units of limited partnership interest in our operating partnership equal to approximately 56.0% of the total partnership interests in our operating partnership as of December 31, 2006. If GMH Communities GP Trust were disregarded as the general partner, we would be liable for our operating partnership's debts and other obligations. In such event, if our operating partnership is unable to pay its debts and other obligations, we will be liable for such debts and other obligations beyond the amount of our investment in our operating partnership. These obligations could include unforeseen contingent liabilities.

*Risks Relating to Real Estate Investments*

**Illiquidity of real estate investments could significantly impede our ability to respond to adverse changes in the performance of our targeted properties and harm our financial condition.**

Real estate investments are relatively illiquid. Our ability to quickly sell or exchange any of our student housing properties or military housing privatization projects in response to changes in economic and other conditions will be limited. No assurances can be given that we will recognize full value for any property that we are required to sell for liquidity reasons. Our inability to respond rapidly to changes in the performance of our investments could adversely affect our financial condition and results of operations.

**Our targeted properties may not achieve forecasted results or we may be limited in our ability to finance future acquisitions, which may harm our financial condition and operating results, and we may not be able to make the distributions required to maintain our REIT status.**

Acquisitions and developments entail risks that the properties will fail to perform in accordance with expectations and that estimates of the costs of improvements necessary to acquire, develop and manage properties will prove inaccurate, as well as general investment risks associated with any new real estate investment. We anticipate that acquisitions and developments will largely be financed through externally generated funds such as borrowings under credit facilities and other secured and unsecured debt financing and from issuances of equity securities. Because we must distribute at least 90% of our REIT taxable income, determined without regard to the dividends-paid deduction and by excluding any net capital gain, each year to maintain our qualification as a REIT, our ability to rely upon income from operations or cash flow from operations to finance our growth and acquisition activities will be limited. Accordingly, if we are unable to obtain funds from borrowings or the capital markets to finance our acquisition and development activities, our ability to grow would likely be curtailed, amounts available for distribution to shareholders could be adversely affected and we could be required to reduce distributions, thereby jeopardizing our ability to maintain our status as a REIT.

Newly-developed or newly-renovated properties do not have the operating history that would allow our management to make objective pricing decisions in acquiring these properties. The purchase prices of these properties will be based in part upon projections by management as to the expected operating results of such properties, subjecting us to risks that these properties may not achieve anticipated operating results or may not achieve these results within anticipated time frames. In addition, we have witnessed a compression of capitalization rates for the student housing properties that we are targeting under our investment criteria. During 2006, capitalization rates declined, and may continue to decline in the future. We, therefore, may be unable to purchase student housing properties at attractive capitalization rates.

**If we suffer losses that are not covered by insurance or that are in excess of our insurance coverage limits, we could lose investment capital and anticipated profits.**

We have general liability insurance that provides coverage for bodily injury and property damage to third parties resulting from our ownership of the properties that are leased to, and occupied by, our residents. However, there are certain types of losses, generally of a catastrophic nature, such as earthquakes, floods, hurricanes, wars and acts of terrorism that may be uninsurable or not insurable at a price we can afford. Inflation, changes in building codes and ordinances, environmental considerations and other factors also might make it impracticable to use insurance proceeds to replace a property after it has been damaged or destroyed. Under these circumstances, the insurance proceeds we receive might not be adequate to restore our economic position with respect to the affected property. If any of these or similar events occur, it may reduce our return from the property and the value of our investment.

**Capital expenditures for property renovations may be greater than forecasted and may adversely impact rental payments by our residents and our ability to make distributions to shareholders.**

Properties, particularly those that consist of older structures, have an ongoing need for renovations and other capital improvements, including periodic replacement of furniture, fixtures and equipment. Renovation of properties involves certain risks, including the possibility of environmental problems, construction cost overruns and delays, uncertainties as to market demand or deterioration in market demand after commencement of renovation and the emergence of unanticipated competition from other properties. All of these factors could adversely impact rental payments by our residents, have a material adverse effect on our financial condition and results of operations, and adversely affect our ability to make distributions to our shareholders.

**All of our student housing properties are subject to property taxes, and some of our military housing properties may be subject to property taxes. If these taxes were to be significantly increased by applicable authorities in the future, our operating results and ability to make distributions to our shareholders would be adversely affected.**



Our student housing properties are subject to real and personal property taxes, and some of our military housing properties may be subject to real and personal property taxes, that may increase as property tax rates change and as the properties are assessed or reassessed by taxing authorities. As the owner of the student housing properties and a member of or partner in the joint venture entity that owns the military housing privatization projects that cover military housing properties, we will be responsible, in whole or in part, for payment of the taxes to the government. Increases in property tax rates may adversely affect our operating results and our ability to make expected distributions to our shareholders.

**Our performance and the value of our common shares will be affected by risks associated with the real estate industry.**

Our ability to make expected dividend payments to our shareholders and the value of our common shares depend largely on our ability to generate cash revenues in excess of expenses, debt obligations and capital expenditure requirements. Factors that may adversely affect our ability to generate cash revenues include:

- changes in the national, regional and local economic climate;
- rising interest rates;
- local conditions such as an oversupply of, or a reduction in demand for, student and military housing;
- increased operating costs, including insurance premiums, utilities and real estate taxes;
- attractiveness of our properties to residents;
- costs of complying with changes in governmental regulations; and
- competition from other real estate developers of student housing and companies pursuing the award of future military housing privatization projects.

In addition, periods of economic slowdown or recession, rising interest rates or declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in rents or an increased incidence of defaults under existing leases, which would adversely affect us.

**As the owner and lessor of real estate, we are subject to risks under environmental laws, the cost of compliance with which, and any violation of which, could materially adversely affect us.**

Our operating expenses could be higher than anticipated due to the cost of complying with existing and future environmental and occupational health and safety laws and regulations. Various environmental laws may impose liability on a current or prior owner or operator of real property for removal or redemption of hazardous or toxic substances. Current or prior owners or operators may also be liable for government fines and damages for injuries to persons, natural resources and adjacent property. These environmental laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence or disposal of the hazardous or toxic substances. The cost of complying with environmental laws could materially adversely affect amounts available for distribution to our shareholders and could exceed the value of all of our properties. In addition, the presence of hazardous or toxic substances, or the failure of our residents to properly dispose of or remediate such substances, may adversely affect our residents or our ability to use, sell or rent such property or to borrow using such property as collateral which, in turn, could reduce our revenue and our financing ability. We intend to obtain Phase I environmental assessments on any properties we acquire, manage or develop. However, even if the Phase I environmental reports do not reveal any material environmental contamination, it is possible that material environmental liabilities may exist of which we are unaware.

Although the leases for our student housing properties generally will require our student residents to comply with laws and regulations governing their operations, and to indemnify us for certain environmental liabilities that they create, the scope of their obligations may be limited. We cannot assure you that our student residents or their guarantors will be able to fulfill their indemnification obligations. In addition, environmental and occupational health and safety laws constantly are evolving, and changes in laws, regulations or policies, or changes in interpretations of the foregoing, could create liabilities where none exists today.

With regard to our military housing properties, the federal government will not indemnify us for any environmental liability on these properties. As a result, we may be exposed to substantial liability to remove or remediate hazardous or toxic substances, which could materially adversely affect our financial condition and results of operation.

**Future terrorist attacks in the U.S. could harm the demand for and the value of our properties.**

Future terrorist attacks in the U.S., such as the attacks that occurred on September 11, 2001, and other acts of terrorism or war, or threats of the same, could diminish the demand for and the value of our properties. The military bases at

20

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which we have privatization projects may be terrorist targets. Also, certain of our properties are near universities which contain well-known landmarks and may be perceived as more likely terrorist targets than similar, less recognizable properties. A decrease in demand in our markets would make it difficult for us to renew or re-lease our properties at lease rates equal to or above historical rates.

Terrorist attacks also could directly impact the value of our properties through damage, destruction, loss, or increased security costs, and the availability of insurance for such acts may be limited or may cost more. If we receive casualty proceeds, we may not be able to reinvest such proceeds profitably or at all, and we may be forced to recognize taxable gain on the affected property.

**We may incur significant costs complying with the Americans with Disabilities Act and similar laws.**

Under the Americans with Disabilities Act of 1990, or ADA, all public accommodations must meet federal requirements related to access and use by disabled persons. Additional federal, state and local laws also may require modifications to our properties, or restrict our ability to renovate our properties. For example, the Fair Housing Amendments Act of 1988, or FHAA, requires apartment properties first occupied after March 13, 1990, to be accessible to the handicapped. We have not conducted an audit or investigation of all of our properties to determine our compliance. Noncompliance with the ADA or FHAA could result in the imposition of fines or an award or damages to private litigants and also could result in an order to correct any non-complying feature. We cannot predict the ultimate amount of the cost of compliance with the ADA, FHAA or any other legislation. If we incur substantial costs to comply with the ADA, FHAA or any other legislation, we could be materially and adversely affected.

**We may incur significant costs complying with other regulations.**

The properties in our portfolio are subject to various other federal, state and local regulatory requirements, such as state and local fire and life safety requirements. If we fail to comply with these various requirements, we might incur governmental fines or private damage awards. If we are not in compliance with existing requirements, or if existing requirements change, we may have to make significant unanticipated expenditures that would materially and adversely affect us.

***Risks Relating to Our Common Shares and this Offering***

**The market price and trading volume of our common shares may be volatile in the future.**

The market price of our common shares may be highly volatile and subject to wide fluctuations in the future. The stock market has experienced extreme price and volume fluctuations that have affected the market price of many companies in industries similar or related to ours and that have been unrelated to these companies' operating performances. These broad market fluctuations could reduce the market price of our common shares. Furthermore, our operating results and prospects may be below the expectations of public market analysts and investors or may be lower than those of companies with comparable market capitalizations, which could lead to a material decline in the market price of our common shares. In addition, the trading volume in our common shares may fluctuate and cause significant price variations to occur.

If the market price of our common shares declines significantly, you may be unable to resell your shares at or above the price per share in this offering. We cannot assure you that the market price of our common shares will not fluctuate or decline significantly in the future. Some of the factors that could negatively affect our share price or result in fluctuations in the price or trading volume of our common shares include:

- the likelihood that an active market for our common shares will continue;
- actual or anticipated variations in our operating results;
- changes in our funds from operations or earnings estimates;
- publication of research reports about us or the real estate industry;
- increases in market interest rates may lead purchasers of our common shares to demand a higher dividend rate which, if our distributions do not rise, will mean our share price will fall;
- changes in market valuations of similar companies;

- adverse market reaction to any increased indebtedness we incur in the future;
- additions or departures of key management personnel;
- actions by institutional shareholders;

21

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- speculation in the press or investment community;
- general market and economic conditions; and
- future offerings of debt securities or preferred shares, which would be senior to our common shares upon liquidation, and additional offerings of equity securities, which would dilute our existing shareholders and may be senior to our common shares for the purposes of dividend distributions, may adversely affect the market price of our common shares.

In the future, we may attempt to increase our capital resources by making offerings of debt or additional offerings of equity securities, including commercial paper, medium-term notes, senior or subordinated notes and series of preferred shares or common shares. Upon our liquidation, holders of our debt securities and preferred shares and lenders with respect to other borrowings will receive a distribution of our available assets prior to the holders of our common shares. Additional equity offerings may dilute the holdings of our existing shareholders or reduce the market price of our common shares, or both. Our preferred shares, if issued, could have a preference on liquidating distributions or a preference on dividend payments that could limit our ability to make a dividend distribution to the holders of our common shares. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, holders of our common shares bear the risk of our future offerings reducing the market price of our common shares and diluting their share holdings in us.

**Common shares eligible for future sale, including the shares covered by this prospectus, may have adverse effects on our share price.**

We cannot predict the effect, if any, of future sales of common shares, including the shares covered by this prospectus, or the availability of shares for future sales, on the market price of our common shares. Sales of substantial amounts of common shares, or the perception that these sales could occur, may adversely affect prevailing market prices for our common shares. Under the terms of our operating partnership agreement, the common shares eligible for issuance upon redemption of units of limited partnership interest in our operating partnership, including units that we may issue to third parties in the future, are required to be registered within nine months following the date of initial issuance of such units. In addition, we filed a registration statement with respect to the 2,000,000 common shares authorized for issuance under our Equity Incentive Plan in connection with the grant of restricted common share awards, option grants or other equity-based awards authorized by the Compensation Committee of our Board of Trustees. We also may issue from time to time additional common shares or units of limited partnership interest in our operating partnership in connection with the acquisition of properties and we may grant additional demand or piggyback registration rights in connection with these issuances. Sales of substantial amounts of common shares or the perception that these sales could occur may adversely effect the prevailing market price for our common shares. In addition, the sale of these shares could impair our ability to raise capital through a sale of additional equity securities.

**The market value of our common shares could decrease based on our performance and market perception and conditions.**

The market value of our common shares may be based primarily upon the market's perception of our growth potential and current and future cash dividends, and may be secondarily based upon the market value of our underlying assets. We expect the market price of our common shares to be influenced by the dividend on our common shares relative to market interest rates. Rising interest rates may lead potential buyers of our common shares to expect a higher dividend rate, which would adversely affect the market price of our common shares. In addition, rising interest rates would result in increased interest expense on our variable rate debt and adversely affect cash flow and our ability to service our indebtedness and make distributions to our shareholders.

***Tax Risks Associated with Our Status as a REIT***

**If we fail to qualify for or lose our tax status as a REIT, we would be subject to significant adverse consequences and the value of our common shares may decline.**

We intend to continue to operate in a manner that will allow us to continue to qualify as a REIT for federal income tax purposes under the Code. We elected to be taxed as a REIT upon the filing of our tax return for the taxable year ended December 31, 2004. Our qualification as a REIT depends, and will continue to depend, on our ability to meet various requirements concerning, among other things, the ownership of our outstanding common shares, the nature of our assets, the sources of our income and the amount of our distributions to our shareholders. The REIT qualification requirements are extremely complex, and the interpretations of the federal income tax laws governing qualification as a REIT are limited. Accordingly, there is no assurance that we will be successful in operating so as to qualify as a REIT. At any time, new laws, regulations, interpretations or court decisions may change the federal tax laws relating to, or the federal income tax



consequences of, qualification as a REIT. It is possible that future economic, market, legal, tax or other considerations may cause our Board of Trustees to revoke the REIT election, which it may do without shareholder approval.

If we revoke, lose or fail to achieve our REIT status, we will face serious tax consequences that will substantially reduce the funds available for distribution because:

- we would not be allowed a deduction for distributions to shareholders in computing our taxable income;
- we would be subject to federal income tax at regular corporate rates, and we might need to borrow money or sell assets in order to pay any such tax;
- we also could be subject to the federal alternative minimum tax and possibly increased state and local taxes; and
- unless we are entitled to relief under statutory provisions, we also would be disqualified from taxation as a REIT for the four taxable years following the year during which we ceased to qualify.

In addition, if we fail to qualify as a REIT, we will not be required to pay dividends to shareholders, and all dividends to shareholders will be subject to tax to the extent of our current and accumulated earnings and profits. As a result of all of these factors, a failure to achieve, or a loss or revocation of our REIT status could have a material adverse effect on our financial condition and results of operations and would adversely affect the value of our common shares.

In addition, in circumstances where we fail to qualify as a REIT, it is likely that we will also have failed to comply with the restrictions on our activities and those of the operating partnership that we agreed to with Vornado Realty L.P., in which case we would also be liable for any damages incurred by Vornado Realty L.P., certain of its affiliates and its transferees and assignees, together with certain of their affiliates, as a result of such failure.

**To maintain our REIT status, we may be forced to borrow funds on a short-term basis during unfavorable market conditions.**

In order to maintain our qualification as a REIT, we are required under the Code to distribute annually at least 90% of our REIT taxable income, determined without regard to the dividends-paid deduction and excluding any net capital gain. In addition, we will be subject to income tax at regular corporate rates to the extent that we distribute less than 100% of our net taxable income, including any net capital gains. Because of these distribution requirements, we may not be able to fund future capital needs, including any necessary acquisition financing, from operating cash flow. Consequently, we will be compelled to rely on third party sources to fund our capital needs. We may not be able to obtain this financing on favorable terms or at all. Any additional indebtedness that we incur will increase our leverage. Our access to third party sources of capital depends, in part, on:

- general market conditions;
- our current debt levels and the number of properties subject to encumbrances;
- our current performance and the market's perception of our growth potential;
- our cash flow and cash dividends; and
- the price of our common shares.

If we cannot obtain capital from third party sources, we may not be able to acquire or develop properties when strategic opportunities exist, satisfy our debt service obligations or make the cash dividends to our shareholders necessary to maintain our qualification as a REIT.

**Failure to make required distributions would subject us to tax.**

In order to qualify as a REIT, each year we must distribute to our shareholders at least 90% of our REIT taxable income, determined without regard to the dividends-paid deduction and by excluding any net capital gain. To the extent that we satisfy the distribution requirement, but

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distribute less than 100% of our taxable income, we will be subject to federal corporate income tax on our undistributed income. In addition, we will incur a 4% nondeductible excise tax on the amount, if any, by which our distributions in any year are less than the sum of:

- 85% of our ordinary income for that year;
- 95% of our capital gain net income for that year; and
- 100% of our undistributed taxable income from prior years.

We intend to pay out our income to our shareholders in a manner that satisfies the distribution requirement and avoids corporate income tax and the 4% nondeductible excise tax. We may be required to make distributions to shareholders at disadvantageous times or when we do not have funds readily available for distribution. Differences in timing between the

recognition of income and the related cash receipts or the effect of required debt amortization payments could require us to borrow money or sell assets to pay out enough of our taxable income to satisfy the distribution requirement and to avoid corporate income tax and the 4% nondeductible excise tax in a particular year. In the future, we may borrow to pay distributions to our shareholders and the limited partners of our operating partnership. Any funds that we borrow would subject us to interest rate and other market risks.

**Complying with REIT requirements may cause us to forgo otherwise attractive opportunities.**

To qualify as a REIT for federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our shareholders and the ownership of our shares. As a result, we may be required to forgo attractive business or investment opportunities in order to meet these tests. Thus, compliance with the REIT requirements may hinder our ability to operate solely on the basis of maximizing profits.

**We may be subject to adverse legislative or regulatory tax changes that could reduce the market price of our common shares.**

At any time, the federal income tax laws or regulations governing REITs or the administrative interpretations of those laws or regulations may be amended. Any of those new laws or interpretations may take effect retroactively and could adversely affect us or you as a shareholder. Effective for taxable years beginning after December 31, 2002, the Jobs and Growth Tax Relief Reconciliation Act of 2003, which we refer to as the Jobs and Growth Tax Act, generally reduced the maximum rate of tax applicable to most domestic noncorporate taxpayers on dividend income from regular C corporations to 15%. This reduces substantially the so-called double taxation (that is, taxation at both the corporate and shareholder levels) that has generally applied to corporations that are not taxed as REITs. Generally, dividends from REITs will not qualify for the dividend tax reduction because, as a result of the dividends paid deduction to which REITs are entitled, REITs generally do not pay corporate level tax on income that they distribute to shareholders. The implementation of the Jobs and Growth Tax Act may cause domestic noncorporate investors to view stocks of non-REIT corporations as more attractive relative to shares of REITs than was the case previously. We cannot predict what impact this legislation may have on the value of our common shares. The Tax Increase Prevention and Reconciliation Act of 2005 extended the 2003 Act's sunset date from December 31, 2008 to December 31, 2010.

**The income earned by our taxable REIT subsidiaries will be subject to federal income tax.**

We own active taxable REIT subsidiaries that earn income that, if earned by us outside of a taxable REIT subsidiary, would jeopardize our status as a REIT. For example, our taxable REIT subsidiaries earn fees from developing, constructing, renovating and managing military housing properties and providing management services to certain third party owners of student housing, as well as fees for providing certain noncustomary services for our student housing properties, that would not be qualifying income for purposes of the REIT income tests. A taxable REIT subsidiary is taxed as a regular C corporation. The income from the activities described above and other income earned by our taxable REIT subsidiaries is therefore subject to a corporate level tax, notwithstanding that we qualify as a REIT.

**We may not conduct all of our third party student housing management business through a taxable REIT subsidiary, which could jeopardize our ability to comply with one of the REIT gross income requirements.**

In general, at least 95% of our gross income for each taxable year must consist of income that is qualifying income for purposes of the 75% REIT gross income test, other types of interest and dividends, gain from the sale or disposition of shares or securities, or any combination of these. Fees that we earn from providing property management services to third party owners of student housing properties do not constitute qualifying income for purposes of the 95% REIT gross income test. We conduct all (or as nearly all as possible) of our third party student housing property management business through a taxable REIT subsidiary. The fees we earn from that business other than through a taxable REIT subsidiary, together with all other income that does not constitute qualifying income under the 95% gross income test, cannot exceed 5% of our total gross income. If we fail to manage our business in a manner that allows us to satisfy the 95% REIT gross income test, the portion of income associated with the amount in excess of this 95% threshold would be taxed at 100%, and we could lose our REIT qualification which would, among other things, cause all of our earnings to be subject to federal income tax and would reduce our cash available for distributions to shareholders.

**To maintain our REIT status, we will be required to comply with a number of requirements relating to the relative values of our assets, and we may be required to limit activities conducted through a taxable REIT subsidiary.**

As a REIT we will be required to satisfy, as of the close of each quarter of each of our taxable years, a number of requirements relating to the relative values of our assets, including requirements that not more than 25% of the value of our total assets be represented by assets other than real estate assets, cash and cash items and government securities and that not more than 20% of the value of our total assets be represented by securities of taxable REIT subsidiaries. We intend to monitor our compliance with the various asset test requirements. As a number of these requirements are based on value, however, it is possible that the IRS could successfully argue for a value of our nonqualifying assets that was such that we would fail to satisfy a REIT asset requirement. In such circumstances, we could fail to qualify as a REIT for the taxable year of such failure and the following four taxable years.

**To maintain our status as a REIT, no more than 20% of the value of our total assets may consist of the securities of our taxable REIT subsidiaries, such as GMH Military Housing, LLC and College Park Management TRS, Inc. Certain of our activities, such as development, construction, renovation, and management services, must be conducted through a taxable REIT subsidiary in order for us to maintain our REIT status. In addition, certain non-customary services generally must be provided by a taxable REIT subsidiary or an independent contractor from which we do not derive any income. If the revenues from such activities create a risk that the value of our interest in our taxable REIT subsidiaries, based on revenues or otherwise, approach the 20% threshold, we will be forced, in order to maintain our REIT status, to curtail such activities or take other steps to remain under the 20% threshold. Since our formation transactions, the development, construction, renovation, and management services provided to our military housing privatization projects and the management services provided to certain third party owners of student housing have been conducted through taxable REIT subsidiaries. Consequently, income earned by these taxable REIT subsidiaries is subject to corporate income tax.**

**We may be subject to tax if our taxable REIT subsidiaries provide services to our tenants other than on an arm's length basis.**

If our taxable REIT subsidiaries provide services to our tenants for other than an arm's length charge (payable from the tenants or from us), we would be subject to a 100% tax on the difference between the amount in fact derived by the taxable REIT subsidiary and the arm's length charge. In addition, if our taxable REIT subsidiaries pay more than an arm's length charge to our operating partnership, GMH Communities Trust or any of their affiliates for services or overhead provided to the taxable REIT subsidiaries, we would be subject to a 100% tax on the difference between the amount in fact paid by the taxable REIT subsidiary and the arm's length charge.

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

We make forward-looking statements in this prospectus that are subject to risks and uncertainties. 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 current 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, 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;
- 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 any 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 sections of this prospectus 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, including, but not limited, 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, including through the implementation of such measures as discussed in the section of our Annual Report on Form 10-K for the fiscal year ended December 31, 2006, titled *Controls and Procedures* under Part II, Item 9A of that report, 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;

- 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, 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 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.

## THE OFFERING

Of the 34,141,864 common shares being offered by the selling shareholders named in this prospectus, 9,855,104 of the shares are being offered by Vornado Realty Trust, or Vornado, or its affiliates. Of these common shares being offered by Vornado, (i) 2,517,247 common shares are held by Vornado Investments L.L.C., representing 1,817,247 common shares that were issued upon exercise of a warrant granted in connection with our initial public offering and 700,000 common shares that were purchased in connection with the Company's follow-on offering of common shares in October 2005, (ii) 6,666,667 common shares are issuable to Vornado Realty L.P. upon the conversion of an equal number of units of limited partnership interest in our operating partnership that were acquired in connection with our initial public offering, and (iii) 671,190 of these common shares are issuable to Vornado CCA Gainesville L.L.C., an affiliate of Vornado, upon the conversion of an equal number of units of limited partnership interest in our operating partnership that were issued to that entity in connection with the contribution of its interests in a student housing property to our operating partnership upon completion of our initial public offering.

Another 2,583,334 of the common shares being offered under this prospectus are issuable upon the conversion of an equal number of limited partnership interests in our operating partnership that were issued to FW Military Housing LLC upon completion of our initial public offering in exchange for its contribution of interests in a military housing privatization project.

In addition, 19,763,144 of the common shares covered by this prospectus are being offered by current or former employees of the Company or entities wholly-owned by Gary M. Holloway, Sr., our chairman, president and chief executive officer. All of these shares are issuable upon the conversion of limited partnership interests in our operating partnership that were issued upon completion of our initial public offering in November 2004. Of these shares, 16,988,829 shares are being offered by Mr. Holloway or entities wholly-owned by Mr. Holloway, and are issuable upon redemption of limited partnership interests that were acquired in exchange for Mr. Holloway's contribution of various assets to our operating partnership upon completion of our initial public offering; 2,649,315 are being offered by current or former employees of the Company; and 125,000 common shares are being offered by Gary M. Holloway, Jr., who is the son of Mr. Holloway.

The remaining 1,940,282 common shares covered by this prospectus are being offered by South View, LLC and Stone Gate I, LLC, each of which received limited partnership interests in our operating partnership in exchange for the contribution of interests in two student housing properties acquired by our operating partnership on June 30, 2005, and the common shares offered hereby are issuable upon the conversion of those limited partnership interests.

Pursuant to this prospectus, the selling shareholders may sell the common shares offered for resale in a secondary offering. Under the terms of the limited partnership agreement of our operating partnership, a registration rights agreement with Vornado, and a registration rights agreement with FW Military Housing LLC, we are required to register all of the common shares that are described above. However, the registration of the common shares being offered pursuant to this prospectus does not necessarily mean that (i) any of the underlying units of limited partnership interest will be tendered for redemption, or (ii) we will, in fact, issue any of the common shares upon request for redemption, or (iii) if any of the common shares are issued, such selling shareholders will offer or sell any of their shares, or (iv) the selling shareholders who currently own common shares covered hereby will offer or sell any of their shares.

## USE OF PROCEEDS

The selling shareholders will receive the proceeds from the resale of the common shares covered by this prospectus. We will not receive any proceeds from the resale of the common shares by the selling shareholders.

### SELLING SHAREHOLDERS

The following table sets forth information regarding the beneficial ownership of our common shares by the selling shareholders as of February 15, 2007, and the number of common shares covered by this prospectus. Shares may also be sold by donees, pledgees or other transferees or successors in interest of the selling shareholders.

All of the common shares offered by the selling shareholders pursuant to this prospectus are issuable upon conversion of an equal number of limited partnership interests in our operating partnership, except that 2,517,247 of the common shares are currently owned by Vornado or its affiliates.

With respect to the common shares to be offered by Gary M. Holloway, Sr., our chairman, president and chief executive officer, under the terms of the Company's Declaration of Trust, Mr. Holloway and his affiliates are restricted from owning in excess of 20% in value of the Company's outstanding shares or 20% in value or number of shares (whichever is more restrictive) of the Company's then outstanding common shares. As a result, although Mr. Holloway and his affiliates currently hold 16,988,829 limited partnership interests in our operating partnership, he will be restricted from redeeming such partnership interests at any time that he holds 20% in value of the Company's then outstanding shares or 20% in value or number of shares of the Company's then outstanding common shares.

The shares being offered by the other selling shareholders are issuable upon the conversion of limited partnership interests in our operating partnership that were acquired upon completion of, or after, our initial public offering. Under the terms of the limited partnership agreement of our operating partnership, holders of limited partnership interests may elect to have the operating partnership redeem their interests for either an equal number of common shares (subject to adjustments in the event of share splits, share dividends and similar events in the future) or cash, in the sole discretion of the Company. Holders of limited partnership interests are eligible to have their interests redeemed after a one-year holding period which has passed as to all of the selling shareholders, and under the terms of our Declaration of Trust, are subject to a 7.1% ownership limitation with respect to the Company's then outstanding shares.

Beneficial ownership, as referred to in the table of selling shareholders below, is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Any common shares subject to options or warrants that are currently exercisable or exercisable within 60 days after February 15, 2007, are also deemed outstanding and to be beneficially owned by the selling shareholders holding such options or warrants.

Name of Selling Shareholder	Number of Shares Beneficially Owned Prior to Offering	Maximum Number of Shares Being Offered	Beneficial Ownership After Resale of Shares Being Offered				
			Number of Shares(1)	Percent of All Shares Outstanding(2)	Percent of All Shares and Units Outstanding(2)		
Gary M. Holloway, Sr. (3)	17,000,329	15,673,038	1,327,291	2.3	%	1.8	%
College Park Management, Inc. (3)	17,000,329	1,250,000	15,750,329	26.9		21.5	
GMH Associates, Inc. (3)	17,000,329	53,291	16,947,038	28.9		23.1	
LVWD, Ltd. (3)	17,000,329	12,500	16,987,829	29.0		23.2	
FW Military Housing LLC	2,583,334	2,583,334	0				
Vornado Realty L.P.(4)	9,855,104	6,666,667	3,188,437	6.5		4.4	
Vornado CCA Gainesville, L.L.C. (4)	9,855,104	671,190	9,183,914	18.8		12.5	
Vornado Investments L.L.C. (4)	9,855,104	2,517,247	7,337,857	15.0		10.0	
South View, LLC (5)	1,156,908	1,156,908	0				
Stone Gate I, LLC (5)	783,374	783,374	0				
Denise Hubley(6)	84,170	84,170	0				
James W. Kirby, Jr.(6)	29,167	29,167	0				
Austin Repetto(6)	29,167	29,167	0				
Joseph M. Macchione(7)	63,700	62,500	1,200		*		*
Kenneth J. Aspis(6)	26,467	26,467	0				
Candee M. Evelhoch(6)	22,833	20,833	2,000		*		*
Don Blair(6)	20,833	20,833	0				
Christopher J. Williams(6)	83,334	83,334	0				

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Richard C. Taylor(6)	62,500	62,500	0		
Bruce F. Robinson(7)	1,014,306	1,010,306	4,000	*	*
John De Riggi(7)	251,250	251,250	0		
Miles W. Orth, III(7)	42,167	41,667	500	*	*
Joseph M. Coyle Enterprises, Inc. (7)	432,769	422,769	10,000	*	*
Gary M. Holloway, Jr. (8)	125,000	125,000	0		
Frank Tropea, III	418,750	418,750	0		
Robert DiGiuseppe(8)	85,602	85,602	0		
<b>Total</b>	<b>34,171,064</b>	<b>34,141,864</b>	<b>29,200</b>	<b>*</b>	<b>*</b>

29

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\*Less than 1.0%.

- (1) Assumes the sale of all shares being offered by this prospectus; provided, however, that since the selling shareholders may, in their sole discretion, choose to sell all, a portion, or none of their common shares being registered pursuant to this prospectus, we cannot estimate the number of common shares that actually will be sold by any selling shareholder.
- (2) The percentage ownership for each beneficial owner listed above under the column Percent of All Shares Outstanding is based on 41,567,146 common shares that were outstanding as of February 15, 2007, or will become convertible into or exercisable/redeemable within 60 days thereafter, are deemed to be outstanding and beneficially owned by the person holding such options for the purpose of computing each individual selling shareholder's percentage ownership, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other selling shareholder. The percentage ownership for each beneficial owner listed above under the column Percent of All Shares and Units Outstanding is based on the an aggregate of 73,191,763 common shares and units of limited partnership interest in our operating partnership that were outstanding as of February 15, 2007.
- (3) Gary M. Holloway, Sr. is the chairman, president and chief executive officer of the Company. Each of the entities listed as selling shareholders are wholly-owned by Mr. Holloway. As described in the introduction to this section of the prospectus titled Selling Shareholders, Mr. Holloway and his affiliates are restricted under the terms of our Declaration of Trust from owning in excess of 20% in value or number of shares (whichever is more restrictive) of the Company's then outstanding common shares. Mr. Holloway is entitled to require that his limited partnership interests be redeemed for common shares of the Company at his option. The number of shares shown as beneficially owned by Mr. Holloway include 11,500 common shares held by his spouse.
- (4) Vornado Realty L.P. is the operating partnership of Vornado Realty Trust, which is a reporting company under Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended. As such, we are omitting information regarding the natural persons who exercise voting and dispositive power with respect to these shares. Vornado CCA Gainesville, L.L.C. and Vornado Investments L.L.C. are each an affiliate of Vornado Realty L.P. and Vornado Realty Trust. Michael D. Fascitelli, a member of our Board of Trustees, is the president and a member of the board of trustees of Vornado Realty Trust. The address of Vornado Realty Trust is 888 Seventh Avenue, New York, NY 10019.
- The number of common shares shown as beneficially owned by Vornado Realty L.P., Vornado CCA Gainesville, L.L.C. and Vornado Investments, L.L.C. includes the following: (i) 2,517,247 common shares held by Vornado Investments, L.L.C.; (ii) 671,190 common shares issuable upon redemption of an equal number of limited partnership interests in our operating partnership held by Vornado CCA Gainesville, L.L.C., (iii) 6,666,667 common shares issuable upon redemption of an equal number of limited partnership interests in our operating partnership held by Vornado Realty L.P. as of January 1, 2006. Does not include 5,552 restricted common shares issued under the Company's Equity Incentive Plan to Michael D. Fascitelli. Mr. Fascitelli has reported in his filings with the SEC that he disclaims beneficial ownership in the common shares and units of limited partnership interest held by Vornado Investments L.L.C., Vornado Realty L.P. and Vornado CCA Gainesville, L.L.C., except to the extent he has any pecuniary interest therein. See also the section of this prospectus titled *Risk Factors - Risks Relating to Our Organization and Structure - One of our trustees may have a conflict of interest as a result of his affiliation with Vornado Realty Trust, one of our largest shareholders on a fully-diluted basis.*
- (5) We issued an aggregate amount of 1,940,282 units of limited partnership interest in our operating partnership to South View, LLC and Stone Gate I, LLC on June 30, 2005 as partial consideration for the contribution by these entities of their interests in two student housing properties into our operating partnership. These selling shareholders have filed a lawsuit against us and our operating partnership relating to the issuance of these securities. See the section of this prospectus titled *Our Business and Properties - Legal Proceedings.*

(6) The following selling shareholders were employees of the Company as of the date of this prospectus: Don Blair Senior Vice President; Candee Evelhoch Senior Vice President; Denise Hubley Senior Vice President; James W. Kirby, Jr. Senior Vice President; Richard C. Taylor Senior Vice President; and Christopher J. Williams Senior Vice President. Prior to the Company's initial public offering in November 2004, Ms. Hubley served as Assistant Vice President and Assistant Secretary of GMH

30

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Military Housing, LLC and Mr. Williams served as Vice President and Treasurer of GMH Military Housing, LLC. GMH Military Housing, LLC is a predecessor entity of the Company. Austin Repetto served as a Senior Vice President of GMH Military Housing, LLC until March 2005, and currently provides consulting services to the Company in connection with the Company's Navy Northeast Region military housing privatization project.

(7) The following persons are executive officers of the Company: Bruce F. Robinson - President of Military Housing Business; John De Raggi - President of Student Housing Business and Chief Investment Officer; and Joseph M. Macchione - Executive Vice President and General Counsel. Joseph M. Coyle Enterprises, Inc. is an entity wholly-owned by Joseph M. Coyle, who was an executive officer (President of Student Housing Business) until December 31, 2005; since such date, Mr. Coyle has served as a consultant to the Company pursuant to a consulting agreement with the Company that has an initial term extending through May 31, 2007. With respect to the common shares presented as beneficially owned by Joseph M. Coyle Enterprises, Inc., Joseph M. Coyle and Theresa L. Coyle share voting and investment power over the securities. Miles W. Orth, III served as an executive officer (Executive Vice President - operations of Student Housing Business) from January 1, 2006 until June 26, 2006.

(8) Gary M. Holloway, Jr. is the son of Gary M. Holloway, Sr. and President of GMH Capital Partners, LP, an entity that is wholly-owned by Gary M. Holloway, Sr. Robert DiGiuseppe is an Executive Vice President of GMH Capital Partners, LP and GMH Associates, Inc., an entity that is wholly-owned by Gary M. Holloway, Sr. and, prior to the Company's initial public offering, Mr. DiGiuseppe served as Assistant Secretary of College Park Management, Inc. and Corporate Flight Services, Inc., each of which were predecessor entities of the Company. GMH Associates, Inc. and GMH Capital Partners, LP each lease a portion of the corporate headquarters building owned by the Company, and GMH Capital Partners, LP has provided, and may provide in the future, real estate brokerage services to the Company or its affiliates.

#### PLAN OF DISTRIBUTION

The selling shareholders, including any donees, pledgees or other transferees or successors in interest who receive shares from the selling shareholders, may, from time to time, sell all or a portion of the common shares covered by this prospectus on the New York Stock Exchange, in the over-the-counter market, or any other national securities exchange upon which the common shares may be quoted, listed or traded, in underwritten public offerings, privately negotiated transactions or otherwise, at fixed prices that may be changed, at market prices prevailing at the time of sale, at prices related to such market prices or at negotiated prices. The selling shareholders may sell the common shares by various methods, including one or more of the following:

- block trades in which the broker or dealer so engaged by the selling shareholders will attempt to sell the common shares as agent, but may purchase and resell a portion of the block as principal to facilitate the transaction;
- purchases by the broker or dealer as principal and resale by the broker or dealer for its account pursuant to this prospectus;
- an exchange distribution in accordance with the rules of the New York Stock Exchange;
- ordinary brokerage transactions and transactions in which the broker solicits purchasers;
- negotiated transactions or otherwise, including an underwritten offering;
- market sales (both long and short to the extent permitted under the federal securities laws);
- in connection with settlement of short sales of the common shares;
- in connection with the writing of non-traded and exchange-traded call options, in hedge transactions and in settlement of other transactions in standardized or over-the-counter options, if permitted under the securities laws;

- a combination of any of these methods of sale; and
- any other method permitted pursuant to applicable law.

In effecting sales, brokers and dealers engaged by the selling shareholders may arrange for other brokers or dealers to participate. Brokers or dealers may receive commissions or discounts from the selling shareholders or, if any such broker-dealer acts as agent for the purchaser of such shares, from such purchaser, in amounts to be negotiated. These commissions or discounts may exceed those customary in the types of transactions involved. Broker-dealers may agree with the selling shareholders to sell a specified number of common shares at a stipulated price per share, and, to the extent such broker-dealer is unable to do so acting as agent for the selling shareholders, to purchase as principal any unsold common shares at the price required to fulfill the broker-dealer commitment to the selling shareholders. Broker-dealers who acquire common shares as principal may thereafter resell such common shares from time to time in transactions (which may involve block transactions and sales to and through other broker-dealers, including transactions of the nature described above) at prices and on terms then prevailing at the time of sale, at prices then related to then-current market price or in negotiated transactions. In connection with such resales, broker-dealers may pay to or receive from the purchasers of common shares commissions as described above. The selling shareholders may also sell the common shares that qualify for sale pursuant to Rule 144 under the Securities Act of 1933, as amended, rather than pursuant to this prospectus.



The selling shareholders and any other person selling common shares pursuant to the registration statement of which this prospectus is a part will be subject to the Securities Exchange Act of 1934, as amended. The Securities Exchange Act of 1934 rules include, without limitation, Regulation M, which may limit the timing of purchases and sales of the common shares by the selling shareholders. In addition, Regulation M may restrict the ability of any person engaged in the distribution of the common shares to engage in market-making activities with respect to the common shares being distributed for a period of up to five business days prior to the commencement of the distribution. This may affect the marketability of the common shares and the ability of the selling shareholders and any other person or entity selling common shares pursuant to the registration statement of which this prospectus is a part to engage in market-making activities with respect to the common shares.

The selling shareholders and any broker-dealers or agents that participate with the selling shareholders in sales of the common shares may be deemed to be underwriters within the meaning of the Securities Act of 1933, as amended, in connection with those sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the common shares by the selling shareholders may be deemed to be underwriting commissions under the Securities Act of 1933, as amended.

In connection with the sale of the offered shares, the selling shareholder may enter into hedging transactions with broker-dealers. In connection with these hedging transactions, broker-dealers may engage in short sales of the offered shares in the course of hedging the positions they assume with the selling shareholders. The selling shareholders also may sell the offered shares short and redeliver the offered shares to close out the short positions. The selling shareholders also may enter into option or other transactions with broker-dealers, which require the delivery to the broker-dealer of the offered shares. The selling shareholders may also loan or pledge the offered shares to a broker-dealer, and the broker-dealer may sell the offered shares so loaned, or upon a default, the broker-dealer may effect sales of the offered shares that are pledged. In addition to the foregoing, the selling shareholders may enter into, from time to time, other types of hedging transactions.

From time to time, the selling shareholders may pledge their common shares pursuant to the margin provisions of their customer agreements with their brokers. Upon default by a selling shareholder, the broker may offer and sell such pledged common shares from time to time. Upon a sale of the common shares, the selling shareholders intend to comply with the prospectus delivery requirements under the Securities Act of 1933, as amended, by delivering a prospectus to each purchaser in the transaction, or by making the prospectus accessible in a manner that is the equivalent of delivery, as contemplated by the Securities Act of 1933, as amended. We intend to file any amendments or other necessary documents in compliance with the Securities Act of 1933, as amended, that may be required in the event a selling shareholder defaults under any customer agreement with a broker.

We are required to pay all fees and expenses incident to the registration of the common shares covered by this prospectus. We have agreed to indemnify certain of the selling shareholders against certain losses, claims, damages and liabilities, including liabilities under the Securities Act of 1933, as amended. Brokerage commissions and transfer taxes, if any, attributable to the sale of shares by the selling shareholders will be borne by the selling shareholders. The selling shareholders may agree to indemnify brokers, dealers or agents that participate in sales by the selling shareholders against certain losses, claims, damages and liabilities, including liabilities under the Securities Act of 1933, as amended.

**PRICE RANGE OF COMMON SHARES AND DIVIDEND POLICY**

Our common shares are traded on the New York Stock Exchange under the symbol GCT. Our common shares commenced trading on October 28, 2004. The following table sets forth, for the indicated periods, the high and low sales prices of our common shares as quoted on the New York Stock Exchange and the dividends we have paid to our shareholders.

	Price Range of Common Shares		Dividend Paid Per Share
	High	Low	
<b>Fiscal year ended December 31, 2005:</b>			
First Quarter	\$ 14.00	\$ 11.30	\$ 0.2275
Second Quarter	\$ 14.59	\$ 11.34	\$ 0.2275
Third Quarter	\$ 15.65	\$ 13.64	\$ 0.2275
Fourth Quarter	\$ 15.89	\$ 14.10	\$ 0.2275
<b>Fiscal year ended December 31, 2006:</b>			
First Quarter	\$ 17.10	\$ 10.80	\$ 0.2275
Second Quarter	\$ 13.18	\$ 10.75	\$ 0.2275
Third Quarter	\$ 13.73	\$ 11.80	\$ 0.2275
Fourth Quarter	\$ 14.18	\$ 10.04	\$ 0.1650 (1)

(1) Declared on December 18, 2006 and paid on February 1, 2007 to shareholders of record as of the close of business on December 29, 2006.

On April 20, 2007, the last reported sale price of our common shares on the New York Stock Exchange was \$10.16.

On April 20, 2007, there were approximately 27 holders of record of our common shares. This number does not include shareholders whose shares are held of record by a brokerage house or clearing agency, but does include any such brokerage house or clearing agency as one record holder.

We intend to pay regular quarterly distributions to our shareholders. Federal income tax law requires that a REIT distribute annually at least 90% of its REIT taxable income determined without regard to the dividends-paid deduction and excluding any net capital gains, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its net taxable income, including capital gains. We anticipate that our estimated cash available for distribution will exceed the annual distribution requirements applicable to REITs. However, under some circumstances, we may be required to pay distributions in excess of cash available for distribution in order to meet these distribution requirements and we may need to borrow funds to pay some distributions.

Our ability to fund these distributions will depend, in part, upon cash flow from our student housing properties, our management contracts regarding student housing properties owned by others, from management, construction/renovation and development fees and preferred equity returns under our military housing privatization projects, and the continued successful leasing of our student housing portfolio and the acquisition of additional student housing properties and military housing privatization projects. The timing and amount of our anticipated cash flows is inherently uncertain. To the extent these sources are insufficient, we may lower our distributions or borrow funds for distributions from our line of credit, as we have done with respect to the dividends we have paid since the completion of our initial public offering. Availability under our current line of credit is limited. As of December 31, 2006, we had approximately \$50.6 million in available funds remaining from our \$250 million line of credit. Under the terms of the line of credit, the lender pre-approved only the following uses of borrowings: (i) to acquire or fund certain pending student housing acquisitions and military housing projects that had been pre-approved by the lender and (ii) to fund the third and fourth quarter 2006 distributions, and other general working capital advances pursuant to the terms of the agreement. The use of the line of credit for any other purpose must be approved by the lender in its sole and absolute discretion. Accordingly, the lender may not approve the use of funds from the line of credit for quarterly dividend distributions to shareholders after the payment of the dividend relating to the fourth quarter of 2006. See also *Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources*. In addition, the line of credit contains affirmative and negative covenants and also contains financial covenants which, among other things, require that we maintain (i) a fixed charge coverage ratio with respect to the student housing properties, as defined in the line of credit, of at least 1.25 to 1.00, (ii) a consolidated tangible net worth, as defined by the line of credit agreement, of at least \$455 million, (iii) maintain quarterly minimum aggregate adjusted management EBITDA



relating to the military housing segment and student housing managed properties, as defined in the line of credit agreement, of \$5.0 million, and (iv) our federal tax status as a REIT.

Distributions made by us will be authorized and determined by our Board of Trustees out of funds legally available therefore and will be dependent upon a number of factors, including restrictions under applicable law or contained in our debt instruments or agreements or in terms of any future preferred shares. Since our initial public offering, our distributions have exceeded our then current and accumulated earnings and profits as determined for federal income tax purposes due to non-cash expenses, primarily depreciation and amortization charges that we have incurred, and we expect them to continue to do so in the near term. Therefore, a portion of these distributions will represent a return of capital for federal income tax purposes. Distributions in excess of our current and accumulated earnings and profits and not treated as a dividend will not be taxable to a taxable U.S. shareholder under current federal income tax law to the extent those distributions do not exceed the shareholder's adjusted tax basis in his or her common shares, but rather will reduce the adjusted basis of the common shares. Therefore, the gain (or loss) recognized on the sale of the common shares or upon our liquidation will be increased (or decreased) accordingly. To the extent those distributions exceed a taxable U.S. shareholder's adjusted tax basis in his or her common shares, they generally will be treated as a capital gain realized from the taxable disposition of those shares.

Approximately 95% of our distributions for the year ending December 31, 2006 represented a return of capital for federal income tax purposes. With respect to our dividend distribution of \$0.165 per common share for the fourth quarter of 2006, this dividend will be included in our distributions for 2007 for tax purposes due to the fact that it was paid on February 1, 2007. To the extent not inconsistent with maintaining our REIT status, we may retain accumulated earnings of our taxable REIT subsidiaries in such subsidiary. The percentage of our shareholder distributions that exceeds our current and accumulated earnings and profits may vary substantially from year to year.

For the period from October 28, 2004 through December 31, 2004, we declared and paid our initial partial quarterly dividend of \$0.16 per common share. At the same time, our operating partnership paid an equivalent distribution of \$0.16 per unit to holders of limited partnership interests in our operating partnership. With respect to this distribution, \$0.109319 of the \$0.16 per common share represented a return of capital for federal income tax purposes. During the fiscal year 2005, and through the third quarter of 2006, we declared and paid quarterly dividends of \$0.2275 per common share, and our operating partnership paid an equivalent distribution of \$0.2275 per unit to holders of limited partnership interests in our operating partnership. In addition, on December 18, 2006, we declared a dividend of \$0.165 per common share to shareholders of record as of the close of business on December 29, 2006, that was paid on February 1, 2007. With respect to distributions paid to shareholders during the fiscal year 2005, approximately 59% of our distributions represented a return of capital for federal income tax purposes. We also declared a regular quarterly dividend with respect to the first quarter of 2007 equal to \$0.165 per share that was paid on April 13, 2007 to shareholders of record at the close of business on March 29, 2007.

As noted above, we lowered our quarterly distribution to shareholders for the fourth quarter of 2006 from historical levels. Prior to this decrease, we had historically paid a distribution of \$0.91 per year. We cannot assure you that we will continue to have cash available for distributions at historical levels or at all. Any distributions we pay in the future will depend upon our actual results of operations, economic conditions and other factors that could differ materially from our current expectations. Our actual results of operations will be affected by a number of factors, including the revenue we receive from our student housing properties, revenues from management and consulting fees in connection with management services that we will provide for student housing properties owned by others, revenues from our military housing privatization projects, our operating expenses, interest expense and unanticipated expenditures. For more information regarding risk factors that could materially adversely affect our actual results of operations, see *Risk Factors*.

## SELECTED FINANCIAL DATA

	For the Year Ended December 31, Company			Predecessor Entities	
	2006	2005	2004(1)	2003	2002
<b>(in thousands, except per share data)</b>					
<b>Operating Data:</b>					
<b>Revenue</b>					
Rental revenue	\$ 189,041	\$ 132,094	\$ 25,650	\$ 636	\$ 736
Operating expense reimbursements	70,243	62,580	40,512	10,591	3,711
Fee income:					
Related parties	8,481	7,005	4,355	3,892	6,578
Third parties	3,167	3,774	3,986	2,624	1,983
Other fee income related party	21,635	18,321	8,460	842	372
Other income	564	378	915	230	295
Total revenue	293,131	224,152	83,878	18,815	13,675
<b>Expenses:</b>					
Property operating expenses	87,845	57,619	21,188	9,218	7,799
Reimbursed expenses	70,243	62,580	40,512	10,591	3,711
Real estate taxes	18,010	12,191	1,887	83	79
Administrative expenses	17,682	12,254	6,006	1,405	295
Audit Committee and Special Committee expenses	7,821				
Profits interest and employee initial public offering bonus expense			37,502		
Depreciation and amortization	43,830	34,188	7,154	822	821
Interest	55,333	31,025	6,072	396	542
Total expenses	300,764	209,857	120,321	22,515	13,247
(Loss) income before equity in earnings of unconsolidated entities, minority interest, and income taxes	(7,633 )	14,295	(36,443 )	(3,700 )	428
Equity in earnings of unconsolidated entities	3,523	3,073		751	
(Loss) income before minority interest and income taxes	(4,110 )	17,368	(36,443 )	(2,949 )	428
Income taxes	4,733	5,580	312		
(Loss) income before minority interest	(8,843 )	11,788	(36,755 )	(2,949 )	428
Minority interest	(3,857 )	5,729	247		
Net (loss) income	\$ (4,986 )	\$ 6,059	\$ (37,002 )	\$ (2,949 )	\$ 428
Basic (loss) earnings per share	\$ (0.12 )	\$ 0.19	\$ 0.01 (2)		
Diluted (loss) earnings per share	\$ (0.12 )	\$ 0.18	\$ 0.01 (2)		

(1) The results of operations for the year ended December 31, 2004 reflect the results of operations of the GMH Predecessor Entities for the period from January 1, 2004 through November 1, 2004, and the results of operations for the Company, after completion of our initial public offering, for the period from November 2, 2004 through December 31, 2004.

(2) Basic and diluted earnings per share reflect our operations for the period November 2, 2004 (the date of the closing of the Company's initial public offering) to December 31, 2004. Net income for this period was \$251 (in thousands).

	As of December 31, Company			Predecessor Entities	
	2006	2005	2004	2003	2002
<b>(in thousands)</b>					
<b>Balance Sheet Data</b>					
Real estate investments, net	\$ 1,592,567	\$ 1,181,216	\$ 634,730	\$	\$
Corporate office, net	8,425	7,613	11,384	6,963	7,100
Cash and cash equivalents	22,539	2,240	60,926	515	96
Total assets	1,713,990	1,277,951	773,061	16,146	13,536
Mortgage notes payable and line of credit	1,227,725	728,069	370,007	10,977	11,806

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Total liabilities	1,298,718	792,452	395,242	12,552	13,099
Minority interest	157,972	188,633	182,118		
Equity	257,300	296,866	195,701	3,594	437

35

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**UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The unaudited pro forma consolidated financial statement for the year ended December 31, 2006 was derived from our audited financial statements.

The unaudited pro forma consolidated statement of operations for the year ended December 31, 2006 is presented as if all of the properties that we own as of the date of this prospectus, as well as the five properties that were placed into a joint venture during the second quarter of 2007 (see *Management's Discussion and Analysis of Financial Condition and Results of Operations 2007 Business Strategy* ), were owned as of January 1, 2006. The transfer of these five properties was not a material transaction and therefore is not reflected in these unaudited pro forma financial statements.

An unaudited pro forma consolidated balance sheet has not been presented as all properties that we own as of the date of this prospectus, as well as the five properties that were placed into a joint venture during the second quarter of 2007 (see *Management's Discussion and Analysis of Financial Condition and Results of Operations 2007 Business Strategy* ), are reflected in the audited balance sheet of GMH Communities Trust as of December 31, 2006. The transfer of these five properties was not a material transaction and therefore is not reflected in these unaudited pro forma financial statements.

The unaudited pro forma consolidated financial statement should be read in conjunction with our historical financial statements, including the notes thereto, included elsewhere in this prospectus. The unaudited pro forma consolidated financial statement does not purport to represent the results of operations that would have actually occurred if all the properties that we own as of the date this prospectus were owned on January 1, 2006, nor do they purport to project the results of operations of GMH Communities Trust for any future period.

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UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

For the year ended December 31, 2006

(dollars in thousands, except number of shares and per share amounts)

	GMH Communities Trust (A)	Capstone Acquisitions (B)	Other Acquisitions (C)	Pro Forma Adjustments	The Company Pro Forma
<b>Revenue</b>					
Rent and other income	\$ 189,041	\$ 23,542	\$ 5,442	\$	\$ 218,025
Expense reimbursement					
Related party	64,230				64,230
Third party	6,013				6,013
Management fees:					
Related party	8,481				8,481
Third party	3,167				3,167
Other fee related party	21,635				21,635
Other income	564				564
Total revenue	293,131	23,542	5,442		322,115
<b>Expenses</b>					
Property operating expenses	87,845	11,049	1,674		100,568
Reimbursed expenses	70,243				70,243
Real estate taxes	18,010	1,559	401		19,970
Administrative expenses	17,682				17,682
Audit Committee and Special Committee expenses	7,821				7,821
Depreciation and amortization	43,830			9,684	(D) 53,514
Interest	55,333			13,614	(E) 68,947
Total operating expenses	300,764	12,608	2,075	23,298	338,744
(Loss) income before equity in earning of unconsolidated entities, minority interest and income taxes	(7,633)	10,934	3,367	(23,298)	(16,629)
Equity in earnings of unconsolidated entities	3,523				3,523
(Loss) income before minority interest and income taxes	(4,110)	10,934	3,367	(23,928)	(13,106)
Income taxes	4,733				4,733
(Loss) income before minority interest	(8,843)	10,934	3,367	(23,298)	(17,839)
Minority interest	(3,857)			(3,726)	(F) (7,783)
Net (loss) income	\$ (4,986)	\$ 10,934	\$ 3,367	\$ (19,572)	\$ (10,059)
Earning (loss) per common share basic	\$ (0.12)				\$ (0.25)
Earnings (loss) per common share diluted	\$ (0.12)				\$ (0.25)
Weighted average shares outstanding during the period:					
Basic	40,889,508				40,889,508
Diluted	73,344,995				73,344,995



## NOTES TO UNAUDITED PRO FORMA FINANCIAL STATEMENT

1. **Adjustments to the Unaudited Pro Forma Consolidated Statement of Operations for the year ended December 31, 2006.**

(A) Represents the historical consolidated statement of operations of GMH Communities Trust for the year ended December 31, 2006.

(B) Represents the historical revenues and certain expenses of the 11 properties referred to as the Capstone Portfolio from January 1, 2006 through their respective acquisition dates.

(C) Represents the historical revenues and certain expenses of 10 additional student housing properties acquired during 2006 from January 1, 2006 through their respective acquisition dates as follows (in thousands):

	University Village	Jacobs Heights I	The Commons on Oak Tree	The Club	Brookstone Village	Lions Crossing	Stadium Suites	Jacobs Heights III(i)	Aztec Corner	Cambridge at Southern	Total
<b>Revenues:</b>											
Rent and other income	\$ 60	\$ 27	\$ 114	\$ 109	\$ 78	\$ 300	\$ 1,519	\$	\$ 2,218	\$ 1,017	\$ 5,442
<b>Certain expenses:</b>											
Property operating expenses	26	10	59	53	26	159	416		501	424	1,674
Real estate taxes	3	3	7	7	6	29	94		246	6	401
<b>Total certain expenses</b>	<b>29</b>	<b>13</b>	<b>66</b>	<b>60</b>	<b>32</b>	<b>188</b>	<b>510</b>		<b>747</b>	<b>430</b>	<b>2,075</b>
Revenues in excess of certain expenses	\$ 31	\$ 14	\$ 48	\$ 49	\$ 46	\$ 112	\$ 1,009	\$	\$ 1,471	\$ 587	\$ 3,367

(i) The Company acquired Jacob Heights III upon completion of the property's construction in August 2006 and, therefore, there are no historical results of operations for this property prior to the acquisition date.

(D) Represents \$5.9 million and \$3.8 million of depreciation and amortization expense relating to intangible lease costs, respectively, in connection with the student housing properties that the Company acquired, as if the acquisitions occurred on January 1, 2006. Depreciation and amortization expense are computed using the straight line method and are based on the estimated useful lives of the assets as follows:

Building	40 years
Furniture & fixtures	5 years
Intangible lease costs	7 -12 months

(E) Represents additional interest expense related to (i) new and assumed fixed rate mortgage indebtedness (ii) the related amortization of the deferred financing costs incurred in connection with these new mortgages (iii) amortization of the debt premiums and discounts relating to the fair market value adjustments recorded on the assumed debt and (iv) additional borrowings under the Company's line of credit, all of which were incurred in connection with the acquisitions of the student housing properties as if the acquisitions occurred on January 1, 2006. The new mortgages have 10-year terms and require monthly payments of principal and interest or interest only at fixed interest rates ranging from 5.32% to 5.84%. The assumed mortgages mature in 2009 through 2016 and require monthly payments of interest only at fixed interest rates ranging from 4.41% to 8.63%. The line of credit bears interest at LIBOR plus points ranging from 185 to 200 basis. The weighted average



interest rate of the line of credit on the date of closing for the Capstone Portfolio and the other acquisitions was 7.32% and 6.44%, respectively.

(F) Represents minority interest allocable to holders of limited partnership units in our operating partnership. The weighted average minority interest percentage was 43.62% for the year ended December 31, 2006.

39

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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*GMH Communities Trust commenced operations on November 2, 2004, upon completion of its initial public offering and the simultaneous acquisition of the sole general partnership interest in GMH Communities, LP, referred to throughout this report as our operating partnership. The historical operations prior to completion of our initial public offering that are described in this prospectus refer to the operations of College Park Management, Inc., GMH Military Housing, LLC, 353 Associates, L.P., and Corporate Flight Services, LLC, which are collectively referred to, together with our operating partnership, as the GMH Predecessor Entities or our predecessor entities.*

*In connection with our formation transactions completed prior to and simultaneously with the completion of our initial public offering, the ownership interests in the GMH Predecessor Entities were contributed to our operating partnership as described in Note 1 of the financial statements included in this prospectus. We have described our operations in this prospectus as if the historical operations of our predecessor entities were conducted by us for the full fiscal year ended December 31, 2004.*

**Overview**

We 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. As of December 31, 2006, we owned, or had ownership interests in, 77 student housing properties containing a total of 14,432 units and 46,696 beds and seven undeveloped or partially developed parcels of land held for development as student housing properties. In addition, we managed a total of 18 student housing properties owned by others, containing a total of 3,053 units and 9,900, as well as 51 units and 279 beds currently under construction. Additionally, as of December 31, 2006, our operating partnership had an ownership interest in, and through various wholly-owned subsidiaries operated, nine military housing privatization projects, comprising an aggregate of 17,489 end-state housing units on 21 military bases. Through our taxable REIT subsidiaries, we provide development, construction, renovation and management services to our military housing privatization projects (other than our AETC Group I project), and property management services to student housing properties owned by others. In addition, throughout 2006, we provided consulting services with respect to the management of certain student housing properties owned by others, including colleges, universities, and other private owners. In order to comply with the applicable requirements under the REIT provisions of the Code, we must limit the operations of taxable REIT subsidiaries so that securities issued to us by our taxable REIT subsidiaries do not represent more than 20% of our total assets as of the close of any quarter in our taxable year and so that dividends from our taxable REIT subsidiaries, together with our other non-qualifying gross income, do not exceed 25% of our gross income for any taxable year.

Currently, our operations are managed within three operating segments that are separately reported: (1) student housing owned properties (2) student housing management, and (3) military housing. This structure provides an effective platform for maximizing market penetration and optimizing operating economies of scale. In addition, we separately report the activities of certain departments from a corporate level, which includes personnel that service GMH Communities Trust as a whole and support our overall operations.

**2007 Business Strategy**

In December 2006, we announced that our management expected to implement a business strategy beginning in 2007 that would involve the sale, refinancing and/or entrance into a joint venture covering a number of our currently-owned student housing properties. The proceeds from these transactions will be used to repay outstanding indebtedness under our line of credit with Wachovia Bank, which has an initial maturity date of June 1, 2007. In connection with this business strategy, we completed the refinancing of four of our currently-owned student housing properties in February 2007, for a total of \$90.0 million in new 10-year mortgage debt at a fixed interest rate of 5.6%. We used the net proceeds from this refinancing to repay \$73.6 million in outstanding borrowings under our line of credit, which resulted in the replacement of the indebtedness under the line of credit that was carrying a variable LIBOR-based interest rate of 7.32% as of the date of the refinancing. Immediately following this transaction, we had approximately \$138.0 million in remaining borrowings outstanding under our line of credit.

In addition, on April 13, 2007, we completed a joint venture transaction with Fidelity Real Estate Group covering a total of six student housing properties. As of April 13, 2007, we had completed the transfer of our 100% interest in five of the six properties into the joint venture entity, which is currently owned 90% by Fidelity and 10% by us. The transfer of our interest in the sixth property to be included in the joint venture is expected to be completed during May 2007, upon final lender approval of the joint venture's assumption of certain existing mortgage indebtedness on that property. In connection

with the closing of the five properties that are part of the joint venture, Fidelity contributed approximately \$19.8 million into the joint venture, and the joint venture simultaneously placed new mortgage indebtedness on the properties in an aggregate amount of \$88.0 million. The new mortgage debt has a five-year term and requires interest-only payments at a fixed rate of approximately 5.52%. We received net proceeds from the joint venture transaction as of the date of this prospectus totaling approximately \$56.1 million, and used these proceeds to repay an equal amount of existing indebtedness outstanding under our line of credit. As of April 20, 2007, there was approximately \$89.7 million of indebtedness outstanding under our line of credit.

As of the date of this prospectus, we had executed a letter of intent to sell five of our currently-owned student housing properties, and an agreement of sale for an additional currently-owned student housing property. For more information on our properties that are subject to the letters of intent and agreement of sale, see the section of this prospectus titled *Properties*. Although these transactions were still in the due diligence phase as of the date of this prospectus, and have not executed a binding agreement for the sale of the properties that are currently under letter of intent, we currently expect to complete them during the second quarter of 2007. In addition, as of the date of this prospectus, we were actively negotiating the terms of a new line of credit that we expect to have in place before June 1, 2007 and to include a three-year term with borrowing capacity of between \$100-\$150 million. The proceeds from these sale transactions, to the extent they close prior to June 1, 2007, will be used to repay outstanding indebtedness under our line of credit. If we are able to complete the new line of credit prior to the initial maturity date of our existing line of credit we also would expect to borrow funds from the new line to repay any remaining indebtedness under the existing line as of such date and terminate the line of credit with Wachovia Bank. Based on the terms of the transactions under review above, we expect to receive a sufficient amount of net proceeds from these transactions to pay down the remainder of our outstanding indebtedness under our line of credit by June 1, 2007.

### ***Student Housing Owned Properties***

The student housing owned properties segment reflects the revenues and expenses of off-campus student housing properties acquired and owned through the REIT ownership structure which are strategically located near college or university campuses. During the years ended December 31, 2004, 2005 and 2006, our rental revenue increased substantially as a result of the acquisition of an aggregate of 75 properties (excluding two properties in which we have a 10% interest together with a joint venture partner). During the year ended December 31, 2006, we acquired 21 of these properties. Additionally, operating expenses, real estate taxes and depreciation and amortization have increased as a result of these acquisitions. Further, interest expense has increased related to the financing of the properties we have acquired.

Historically, we have found certain property revenues and operating expenses to be cyclical in nature, and therefore not incurred ratably over the course of the year. As our properties are leased predominantly on an academic-year basis, certain of our operating revenues and expenses will vary from quarter to quarter depending on the leasing cycle. For example, we experience significant turnover costs commencing towards the end of the second quarter and more significantly during the third quarter of our fiscal year, in connection with preparing our properties for new residents prior to commencement of the new academic-year lease period, which typically begins in August or September. In addition, we also typically incur higher lease-up costs during the first two quarters of our fiscal year, as this is the period during which we heavily target students for leases that will commence for the next academic year. Property revenues and expenses may differ from expected results in the year of acquisition, depending on the timing of the acquisition in relation to the leasing cycle. In comparing our operating statistics for the fiscal year 2006 versus 2005, most of the key operating metrics, such as rent and other property income, depreciation and amortization, interest expense and property operating expense, for the student housing owned properties segment experienced significant increases, primarily as a result of (i) the presentation of a full year of operations during 2006 with respect to properties acquired in 2005, and (ii) the acquisition of an additional 21 properties during 2006. The increase in real estate taxes was disproportionately higher than the increase in rent and other property income due to more aggressive assessments by local taxing authorities with respect to certain of our student housing properties throughout 2005 and 2006. The increase in property operating expenses was disproportionately higher than the increase in rent and other property income due primarily to increased utility expense. During 2006, we also experienced, and expect to continue to experience, increases in operating expenses (in addition to the proportionate increase associated with the increased number of properties owned in 2006 versus 2005) that will include increased utility expenses resulting from national trends in higher energy-related costs.

Until we are able to successfully execute our 2007 business strategy to repay indebtedness under our current line of credit as outlined above under 2007 Business Strategy, we expect to place less emphasis on the acquisition of additional student housing properties, and to continue to focus on the operational performance of our existing student housing properties and development projects. After we complete this business strategy, and to the extent we are able to obtain a new long-term line of credit, we may determine that it is appropriate to place greater emphasis on the acquisition of additional student housing properties that are located in our targeted markets and that meet management's underwriting criteria for creating



long-term growth potential. To the extent that we seek to acquire student housing properties during at least the first half of 2007, we will consider funding the acquisition through joint venture structures similar to the joint venture terms that we entered into with respect to our Orono, Maine and Bowling Green, Ohio development properties. The timing of any additional acquisitions or development projects will be dependent upon various factors, including the ability to complete satisfactory due diligence, to find suitable joint venture partners and agree upon mutually acceptable joint venture terms, to obtain appropriate debt financing on the properties, and the availability of capital. We would consider funding our equity portion of any joint ventures by using funds from available cash from operations or borrowings. We may also determine that it is appropriate to purchase additional student housing properties outright, as opposed to with a joint venture partner, depending upon many factors which may include, but are not limited to, the applicable purchase price, available capital, and projected returns with respect to the property.

#### ***Student Housing Management***

The student housing management segment provides the on-site management function for, and generally oversees the management of, all off-campus student housing properties for the Company and for properties we manage that are owned by third parties. Third parties may be related parties or parties unaffiliated with the Company. The properties are strategically located near college or university campuses. Total revenues from management activities, including reimbursement of expenses, increased by approximately 22% from 2006 to 2005, including management fees earned from the properties managed for the Company.

We earn management fees from managing properties for third parties. These fees are typically equal to a percentage of cash receipts or gross rental revenues generated by the managed properties, or equal to a fixed monthly amount, according to the management agreements for the properties we manage. We also have the ability to earn incentive management fees by achieving specified property-level performance criteria for certain properties we manage for third parties. Further, certain operating expenses incurred related to properties we manage for others are reimbursed by the owners of the properties managed. We expect to continue generating fee revenue and operating expense reimbursements from the properties that we manage for others, although the amounts are expected to become less significant as a percentage of our overall revenues as rental income increases from the properties we own. During 2007, we expect to continue to pursue new third-party management agreements by utilizing relationships in the student housing market and providing our significant operational economies of scale as a savings mechanism for other third-party owners, including institutional owners and individual student housing owners. However, we expect management fees to contribute less significantly as a percentage of overall revenue in future periods, as a result of the continued growth in rental revenue that we expect to generate from the operations of properties we own and from the full year of operations of properties that we acquired during 2006.

#### ***Military Housing***

Our military housing segment develops, constructs, renovates and manages military housing privatization projects in which we acquire equity interests. Our military housing segment began generating revenue in the fourth quarter of 2003 with the initiation of our Fort Carson and Fort Stewart/Hunter projects. Revenue grew throughout 2004, 2005, and 2006 with the addition of various other projects. Revenue from our military housing segment is comprised primarily of fee income for providing development, construction/renovation and management services to our military housing privatization projects. In addition, we also are entitled to returns on the equity we invest in the projects. In addition, we earn business development fees from certain of our business partners in connection with our military housing privatization projects, such as our construction and architectural/engineering partners. We seek these fees as payment for our business development efforts incurred by us in connection with pursuing and coordinating the completion of military housing privatization projects that benefit these business partners. We also receive expense reimbursements, consisting primarily of payroll and related expenses, closing costs and transition costs we incur for the project in the periods preceding the initiation of our management of the project. Typically, at the time we initiate management on a project, the project reimburses us for these amounts from the proceeds of the debt securities issued by the military housing privatization project.

As of December 31, 2006, we owned equity interests in the joint ventures that owned the nine military housing privatization projects in operation, encompassing 21 military bases totaling 17,489 housing units. During the year ended December 31, 2006, we earned fees for providing development, construction/renovation and management services to these nine military housing privatization projects.

On May 1, 2006, we closed on the formal award of our Fort Gordon project with the Army and officially commenced operations of this project. The project has a six-year initial development period with new construction and renovations of 887 end-state housing units. The 50-year project term involves the development, management and construction of high-quality homes, the targeted renovation of existing homes, and the addition of community enhancing

facilities and services. Also on May 1, 2006, we acquired an ownership interest in our Carlisle/Picatinny project and began management and maintenance services for this project. As of July 21, 2006, financing was secured for the project, and construction/renovation activities have commenced. This 50-year project has a five-year initial development period with new construction and/or renovation of 348 end-state housing units.

On October 23, 2006, we announced that we had been chosen by the Department of the Army to design, construct and manage two single soldier housing projects, located at Fort Bliss and Fort Stewart. These two projects are among the first of unaccompanied housing privatization awards targeted by the Army.

In November 2006, we announced completion of a refinancing for the Fort Carson project in order to obtain additional project funding for the development and construction/renovation of an additional 396 new housing units. This expansion project has an initial development period of four years, and as with the original scope of the project, we will earn fees relating to the new construction of these additional housing units, in addition to the fees we currently earn for managing the existing housing units.

In addition, on February 6, 2007, we closed on our AETC Group I project with the Department of the Air Force, a military housing privatization project covering four bases and 2,875 end-state housing units. The AETC Group I project represents our first military housing project with the Department of the Air Force.

Also, on February 26, 2007, we announced that we were selected by the Department of the Navy to enter into exclusive negotiations for the design, construction, management and maintenance of the military family housing at 11 Southeast Region Navy bases in five states. The 50-year term of the Navy Southeast project is expected to commence with a six-year initial development period, or IDP, that is valued in excess of \$700 million and covering approximately 5,501 end-state housing units. On March 8, 2007, we also announced that we were selected by the Department of the Army to enter into exclusive negotiations for the family housing privatization project at the U.S. Military Academy at West Point, New York, which is expected to have a five-year IDP with project costs valued in excess of \$160 million.

With regard to trends and uncertainties in the military housing market see the section of this prospectus titled *Risk Factors Specific Risks Related to our Military Housing Business*. Our management team also had under review, as of March 9, 2007, four potential additional military housing privatization project opportunities, and will continue to pursue opportunities to acquire projects or project rights from our competitors, as well as opportunities to participate in pilot housing programs for unaccompanied military personnel. For additional details with respect to these projects see the section titled *Military Housing Business Additional Military Housing Privatization Projects and Development Opportunities under Review* located in the *Our Business and Properties* section of this prospectus.

### **Critical Accounting Policies**

Our Management's Discussion and Analysis of Financial Condition and Results of Operations discusses the Company's consolidated financial statements and the GMH Predecessor Entities' combined financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. While the estimates and judgments associated with the application of these accounting principles may be affected by different assumptions or conditions, we believe the estimates and judgments associated with the reported amounts are appropriate under the circumstances in which they were made. In addition, other companies in similar businesses may utilize different estimation policies and methodologies, which may impact the comparability of our results of operations and financial condition to those companies.

The following policies require significant judgments and estimates on our part in preparing the Company's consolidated financial statements and the GMH Predecessor Entities' combined financial statements. Changes in these judgments and estimates could have a material effect on these financial statements.



## Revenue Recognition

### *Student Housing*

Student housing revenue includes rental revenue and other property income, standard and incentive management fees, and reimbursements of certain operating expenses. These sources of revenue are described in greater detail below:

- we recognize student housing rental revenue when due over the lease terms, which are generally 12 months or less;
- we recognize other property income, including, but not limited to, lease processing fees, move-in fees, and activity fees as earned throughout the course of the year. The timing of these fees typically fluctuates in relation to the academic year leasing cycle;
- standard management fees are based on a percentage of monthly cash receipts or gross monthly rental and other revenues generated by the properties managed for others. We recognize these fees on a monthly basis as the services are performed;
- we earn incentive management fees as a result of the achievement of certain operating performance criteria over a specified period by certain managed properties, including targeted annual debt service coverage ratios of the properties. We recognize these fees at the amount that would be due under the contract if the contract was terminated on the balance sheet date; and
- expense reimbursements are comprised primarily of salary and related costs of certain of our employees working at certain properties we manage for others, the cost of which is reimbursed by the owners of the related properties. We accrue operating expense reimbursements as the related expenses are incurred.

### *Military Housing*

We earn military housing revenues for providing services to our military housing privatization projects, including the following:

- standard and incentive management fees, which are based on a percentage of revenue generated by the military housing privatization projects from the basic allowance for housing provided by the government to service members, referred to as BAH, are recognized when the revenue is earned by the military housing projects. Incentive management fees are based upon the satisfaction of certain criteria including, among other things, satisfying designated benchmarks relating to emergency work order response, occupancy rates, home turnover and resident satisfaction surveys. Incentive management fees are recognized when the various criteria stipulated in the management contract have been satisfied;
- standard and incentive development and construction/renovation fees, which are based on a percentage of development and construction/renovation costs incurred by the military housing privatization projects, including hard and soft costs and financing costs, are recognized on a monthly basis as the costs are incurred by the military housing projects. Incentive development and construction/renovation fees are based upon the satisfaction of certain criteria including, among other things, completing a number of housing units according to schedule, achieving specific safety records and implementing small business or minority subcontracting plans. The incentive development and construction/renovation fees are recognized when the various criteria stipulated in the contract have been satisfied. In addition, in certain instances, we may receive fees relating to the performance of pre-construction/renovation services. These pre-construction/renovation fees are determined on a project-by-project basis, and are paid in proportion to the amount of pre-construction/renovation costs incurred by us for the project and recognized as revenue upon performance of the pre-construction/renovation services;

- revenues on fixed-price renovation contracts are recorded on the percentage-of-completion method. When the percentage-of-completion method is used, contract revenue is recognized in the ratio that costs incurred to date bear to estimated costs at completion. Adjustments to cost estimates are made in the period in which the facts requiring such revisions become known. When the revised estimates indicate a loss, such loss is provided for currently in its entirety.
- business development fees are earned from our business partners that provide architectural and design or construction services for our military housing projects. These fees are received in connection with pursuing and coordinating the

44

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completion of military housing projects. The fees consist of (i) an annual base fee, which is a fee paid to us in consideration of our ongoing pursuit of additional projects and is not contingent upon the success of those efforts and can be cancelled at any time, and (ii) an additional fee, which is paid over the course of an awarded project based on a percentage of revenue earned by these business partners for providing services to the military housing projects. The base fees are recognized on a straight-line basis over the term of the related business development agreement, which is generally one year. The additional fee is recognized and paid to us as the related services are provided to our military housing projects by our business partners.

- equity returns are earned on our investments in military housing projects. During the initial development period for a project, the equity returns are a fixed percentage of our investment and subsequent to the initial development period for a project, the equity returns are based on a fixed percentage of our investment and on the project's net operating income, subject to cash distribution caps, as defined in the operating agreements related to the particular project. As of December 31, 2006, only the Fort Carson project had passed its initial development period.

#### ***Real Estate Investments and Corporate Assets***

We carry real estate investments and corporate assets at cost, net of accumulated depreciation. Cost of acquired assets includes the purchase price and related closing costs. We allocate the cost of real estate investments to net tangible and identified intangible assets based on relative fair values in accordance with Statement of Financial Accounting Standards No. 141 ( SFAS 141 ), *Business Combinations*. We estimate fair value based on information obtained from a number of sources, including our due diligence, marketing and leasing activities, independent appraisals that may be obtained in connection with the acquisition or financing of the respective property, and other market data.

The value of in-place leases is based on the difference between (i) the property valued with existing in-place leases and (ii) the property valued as if vacant. As lease terms typically are 12 months or less, actual rates on in-place leases generally approximate market rental rates. Factors that we consider in the valuation of in-place leases include an estimate of incremental carrying costs during the expected lease-up periods considering current market conditions and nature of the tenancy. Purchase prices of student housing properties to be acquired are not expected to be allocated to tenant relationships considering the terms of the leases and the expected levels of renewals. We amortize the value of in-place leases to expense over the remaining term of the respective leases, which is generally one year or less.

We expense routine repair and maintenance costs that do not improve the value of an asset or extend its useful life, including turnover costs. We capitalize expenditures that improve the value and extend the useful life of an asset. We compute depreciation using the straight-line method over the estimated useful lives of the assets, which is generally 40 years for buildings including student housing properties and the commercial office building, and three to five years for residential furniture and appliances. Commencing towards the end of the second quarter and more significantly during the third quarter of each fiscal year, we typically will experience an increase in property operating expenses over other quarters as a result of repair and maintenance expenditures relating to turnover of units at student housing properties. Our student housing lease terms generally commence in August or September to coincide with the beginning of the academic year. Accordingly, we expect to incur a majority of its repair and maintenance costs during the second and third quarters to prepare for new residents.

In accordance with Statement of Financial Accounting Standards No. 144 ( SFAS 144 ), *Accounting for the Impairment or Disposal of Long-Lived Assets*, long-lived assets, such as real estate investments and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. These circumstances may include, but are not limited to, operational performance, market conditions and competition from other off-campus properties and on-campus housing, legal and environmental concerns, and results of appraisals or other information obtained as part of a financing or disposition strategy. When required, we review the recoverability of assets to be held and used through a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated undiscounted future cash flows, an impairment charge is recognized in an amount by which the carrying value of the asset exceeds the fair value of the asset determined using customary valuation techniques, such as the present value of expected future cash flows. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and no longer would be depreciated.

#### ***Allowance for Doubtful Accounts***

We estimate the collectibility of receivables generated by rental and other income as a result of the operation of our student housing properties. If we believe that the collectibility of certain amounts is questionable, we record a specific reserve



for these amounts to reduce the amount outstanding to an amount we believe will be collectible and a reserve for all other accounts based on a range of percentages applied to aging categories, which is based on historical collection and write-off experience.

We also evaluate the collectibility of fee income and expense reimbursements generated by the management of student housing properties owned by others and through the provision of development, construction, renovation and management services to our military housing privatization projects based upon the individual facts and circumstances, and record a reserve for specific amounts, if necessary.

### ***Minority Interest***

Minority interest as initially recorded at the date of our initial public offering represented the net equity of our operating partnership, including the proceeds received from the sale of the warrant to Vornado, multiplied by the ownership percentage of holders of limited partnership units in our operating partnership other than the Company. Our operating partnership is obligated to redeem, at the request of a holder, each unit of limited partnership interest for cash or common shares on a one-for-one basis, at our option, subject to adjustments for share splits, dividends, recapitalizations or similar events; except that Gary M. Holloway, Sr. has the right to require our operating partnership to redeem his and his affiliates' units of limited partnership interest for common shares, subject to his restriction from owning more than 20% of our outstanding common shares. If the minority interest unit holders' share of a current year loss would cause the minority interest balance to be less than zero, the minority interest balance will be reported as zero unless there is an obligation of the minority interest holders to fund those losses. Any losses in excess of the minority interest will be charged against equity. If future earnings materialize, equity will be credited for all earnings up to the amount of those losses previously absorbed. Distributions to limited partnership unit holders other than us are recorded as a reduction to minority interest.

### ***Investments in Military Housing Projects and Student Housing Joint Ventures***

We own equity interests in the joint ventures that own our military housing privatization projects with the U.S. military to design, develop, construct/renovate and manage the military family housing located on or near various bases throughout the United States. We evaluate our investments in military housing project joint ventures in which we have a variable interest to determine if the underlying entity is a variable interest entity ( VIE ) as defined under FASB Financial Interpretation No. 46 (as revised) ( FIN 46(R) ). We have concluded that each of the military housing project joint ventures in which we have a variable interest is a VIE and we are not the primary beneficiary of any of these VIEs. We record our investments in joint ventures under our military housing projects in accordance with the equity method of accounting. Our investment is initially recorded at cost, and then subsequently adjusted at each balance sheet date to an amount equal to what we would receive from the joint venture in the event that it were liquidated at net book value as of that date, and assuming that the proceeds from the liquidation are distributed in accordance with the terms of, and priority of returns set forth under, the joint venture's operating agreement. We have exposure to loss to the extent of our investments, if any, and any receivables due from the project.

We entered into a joint venture in the third quarter of 2005 to develop and construct two student housing properties. We contributed land to the joint venture in exchange for its 10% interest and cash. In addition, we have the option to purchase the joint venture partner's interest in the joint venture within one year of completion of the properties, and we have provided certain guarantees for the completion of construction and for a portion of the construction loans. As such, the transaction is being accounted for under the financing method, whereby we record the real estate as an asset, depreciate the property, and record a financing obligation. Construction of both properties was completed in August 2006.

### ***Income Taxes***

We elected to be taxed as a REIT under the Code commencing with its taxable year ended December 31, 2004. To continue to qualify as a REIT, we must meet a number of organizational and operational requirements, including a requirement that we currently distribute at least 90% of our adjusted taxable income to our shareholders. We believe we are organized and operate in a manner that allows us to qualify for taxation as a REIT under the Code, and it is our intention to adhere to these requirements and maintain our REIT status in the future. Accordingly, no provision has been made for federal income taxes in the accompanying consolidated financial statements, other than with respect to our taxable REIT subsidiaries.

In conformity with the Code and applicable state and local tax statutes, taxable income or loss of The GMH Predecessor Entities was required to be reported in the tax returns of Gary M. Holloway, Sr. and Vornado, as such entities

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were treated as pass-through entities for tax purposes. Accordingly, no income tax provision has been reflected in the accompanying combined statements of operations of the GMH Predecessor Entities.

**Results of Operations**

The results of operations for the year ended December 31, 2006 and 2005 presented below reflect the results of operations of the Company. The eliminations column represents the management fees that are charged to our student housing owned segment from our student housing management segment. Such amounts have been eliminated in consolidation.

*Comparison of the year ended December 31, 2006 to the year ended December 31, 2005*

	Year Ended December 31, 2006					Total
	Student Housing Owned Properties	Student Housing Management	Military Housing	Corporate	Eliminations	
<b>Revenue:</b>						
Rent and other property income	\$ 188,885	\$	\$	\$ 156	\$	\$ 189,041
<b>Expense reimbursements:</b>						
Related party		390	63,622	218		64,230
Third party		6,013				6,013
<b>Management fees:</b>						
Management fees owned properties		7,290			(7,290)	
Related party		93	8,388			8,481
Third party		3,167				3,167
Other fee income-related party			21,635			21,635
Other income	225	35	72	232		564
Total revenue	189,110	16,988	93,717	606	(7,290)	293,131
<b>Operating Expenses:</b>						
Property operating expense	74,927	6,516	6,402			87,845
Intercompany management fees	7,290				(7,290)	
Reimbursed expenses		6,403	63,622	218		70,243
Real estate taxes	17,913			97		18,010
Administrative expenses				17,682		17,682
Audit Committee and Special Committee expenses				7,821		7,821
Profits interest and employee initial public offering bonus expense						
Depreciation and amortization	42,984		444	402		43,830
Interest	50,251			5,082		55,333
Total operating expenses	193,365	12,919	70,468	31,302	(7,290)	300,764
(Loss) income before equity in earnings of unconsolidated entities, minority interest and income taxes	(4,255)	4,069	23,249	(30,696)		(7,633)
Equity in earnings of unconsolidated entities			3,523			3,523
(Loss) income before minority interest and income taxes	(4,255)	4,069	26,772	(30,696)		